Published 28 June 2018
SP Paper 366
6th Report, 2018 (Session 5)

The Scottish Parliament
Pàrlamaid na h-Alba

Culture, Tourism, Europe and External Relations Committee
Comataidh Turasachd, Eòrpach agus Dàimhean Taobh a-muigh

Making Scotland a Screen Leader



Published in Scotland by the Scottish Parliamentary Corporate Body.

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Convener's Foreword

As part of its research into Scotland's screen sector, the Committee visited Wardpark Studios in Cumbernauld, where Outlander is filmed. It was a significant moment in our Inquiry. We were struck by the scale of investment Sony has made in Scotland. The vast complex houses life-sized sets, props of every conceivable kind and tens of thousands of costumes - all made in Scotland. Graduates from Scotland's art schools work beside skilled tradespeople such as machinists, joiners and electricians. We saw with our own eyes how the screen industry contributes to sustainable economic growth.

The Committee want Scotland to become a global screen leader. Despite Outlander, Scotland has fallen behind in screen production, relative to other parts of the UK. Our Interim report, published in May, recommended the establishment of an independent "Screen Scotland" agency to support this vital industry. We remain of that view. The Committee welcomes the additional financial support the Scottish Government has brought forward for screen. We believe a Screen Unit within Creative Scotland is a step forward. However, screen occupies a unique space between culture and business. It can only be supported effectively with its own agency and we note this is the model in most other countries and regions.

We therefore make recommendations for both the Screen Unit and a future agency. These include the immediate launch of an online portal, recruitment of business development experts, and the creation of an industry engagement plan and data gathering hub. We recommend money from Scottish Enterprise is transferred to the screen agency and that an interim board of industry professionals is appointed until legislation establishes the agency.

The lack of a purpose built studio in Scotland has been the subject of debate for at least 50 years. We need delivery, not debate. The Committee expect to see significant progress on this issue before the end of 2018.

Producers told us public sector broadcasters don't commission enough content from Scottish companies. We need tougher Ofcom definitions of what qualifies as a Scottish programme and better monitoring to ensure compliance. A significantly greater proportion of the BBC license fee raised in Scotland must be spent here. We note concerns that the budget of the new BBC Scotland channel is too low. Public sector broadcasters must set out how they intend to increase commissions from Scotland. We also recommend that ITV have a nations' quota set by Ofcom, as already applies to the BBC and Channel Four.

These are exciting times for screen in Scotland. The launch of the new BBC channel and Glasgow's impressive bid for the Channel 4 national headquarters, which this committee supports, reflects real confidence in Scotland's screen sector. New Scottish Government funding for production, along with UK tax incentives, come as global demand for content soars. It's a perfect storm of opportunity, and the Committee wants Scotland to grasp it.

We met dozens of talented and dedicated screen professionals during our Inquiry. Their ambition for the industry in Scotland is admirable. I want to thank all those who provided evidence or hosted fact finding visits. I also welcome the appointment of an Executive Director to lead the Screen Unit within Creative Scotland and wish her every success.

The initiative now rests with those who will lead the policy response to *Make Scotland a Screen Leader.* I wish them well in rising to our challenge. The Committee will monitor the response to our report and hopes to see swift progress.



Joan McAlpine MSP

Executive Summary

The Committee's interim report recommended that Scotland must have a stand-alone screen agency. We continue to hold that view, which is endorsed by many in the industry. While we welcome the establishment of a screen unit within Creative Scotland as a step forward, we believe a strong, autonomous agency would be better equipped to take advantage of the rising global demand for screen content and the significant economic opportunities this brings. The Committee welcomes the substantial additional funding the Scottish Government has allocated to support the screen sector. However, we want to see the highest possible return on that investment. That is best achieved by an autonomous agency with the tools to support Scotland become a global screen leader.

From Screen Unit to Screen Scotland: the case for a stand-alone agency

We understand the establishment of a stand-alone agency will take time and we expect the Screen Unit in Creative Scotland to move towards that. We do not wish this process to slow down progress at a time when there are so many opportunities for screen in Scotland. In this report we also make recommendations on how the existing unit can address industry concerns raised with us in evidence.

The proposal for a Screen Unit within Creative Scotland was developed primarily to address the fragmented approach to support for the sector. However that fragmented approach is duplicated in the “collaborative model of governance” proposed for the Screen Unit. As the Committee pointed out in its interim report, if the Screen Unit is to be fleet of foot when responding to opportunities within the marketplace, then it cannot be burdened by cumbersome and overly bureaucratic governance arrangements.

The Committee believes that a dedicated online portal for screen is a basic requirement. The fact that this was recognised in 2015 and has yet to be delivered is profoundly disappointing. Such abject performance does not generate confidence for the more general collaborative approach and further makes the case for a stand-alone agency. The Committee expect to see a fully operational portal for screen before September 2018.

The Committee is concerned that the Memorandum of Understanding (MOU), which would have underpinned the responsibilities of the partner agencies, has been side lined in favour of a business plan which has yet to be published. We note that a business plan was always intended to operate alongside MOUs, not as an alternative to them. The Committee considers there is a fundamental difference between a ‘business plan’, which sets out the operation of an individual agency, and a memorandum of

understanding, which is the minimum required in the short-term to ensure effective partner agency working. The Committee therefore **recommends** that Creative Scotland should develop an MOU in addition to its business plan to ensure that partner agency responsibilities are clearly defined. The Committee **recommends** that the Cabinet Secretary ensure that Creative Scotland concludes the MOU. The Committee will re-visit this issue once the business plan has been published.

The Committee welcomes the appointment of an experienced industry figure to head the screen unit, although we note that the appointment has taken too long. The Committee **recommends** that the Executive Director should have a sole focus on screen.

The Committee considers that Scottish Enterprise's support model is unsuited to most screen businesses. However under the new screen unit plan, it continues to have a role supporting and growing the largest companies. Moving to an independent screen agency should be able to support all aspects of film and TV without the current constraints that are applied by Scottish Enterprise. The Committee envisages that part of the Scottish Enterprise budget be transferred to the stand-alone agency. These monies require to be allocated to support business development for the screen sector. Until a stand-alone agency is created we recommend that the Cabinet Secretary for Finance, Economy and Fair Work, Derek Mackay MSP, bring forward an interim solution to improve the business support available to the screen sector due to the fundamental importance of this issue. The Committee also considers that the criteria Scottish Enterprise apply should be amended to allow eligibility for Scottish Enterprise funding to smaller companies in the screen sector.

The Committee emphasises the need for experienced business development personnel to be appointed, as Creative Scotland does not currently have this capacity. The Screen Unit proposal includes a boost of £1 million for staffing and overheads but we are yet to see any detailed, concrete plans outlining how resources will be allocated and what positions will be established. The Committee **recommends** that the allocation of resources is clearly established as a matter of urgency.

The Committee **recommends** that there must be a significant role for the industry in the Screen Unit and an eventual stand-alone agency. We have been very impressed by the leadership and vision demonstrated by the sector itself and we consider that strong collaboration will be vital for future success. We welcome the continuing engagement of the Scottish Screen Leadership Group (SSLG) until a replacement approach is identified. We **recommend** the new Executive Director agrees a plan of engagement as a matter of priority. We **recommend** serious consideration is given to the idea presented to us about producers working on a short-term basis within the Screen Unit, as is the case in the Danish screen agency, and suggest this as a route for engaging with the sector that should be explored.

The Committee also considers it vital that the Unit's Strategy for the sector set out in clear terms how it intends to compete internationally. However, this should not be done at the expense of the domestic industry and the strategy should make clear how the

international and indigenous aspects of the industry will complement one another to ensure the long term sustainability of the sector.

To have full autonomy, "Screen Scotland" will require to be an Executive Non Departmental Public Body (NDPB). This will need legislation. The Committee understands that the Scottish Government has committed to reducing the number of non-departmental public bodies but we believe that the Screen Sector presents a unique opportunity that could have wide reaching benefits for the Scottish economy. The Committee also notes that a number of new NDPBs have been established recently, such as Revenue Scotland and Social Security Scotland. The Committee considers that the opportunities presented by the screen sector fully justify the establishment of a separate agency.

We **recommend** that an independent interim board be established to oversee the transformation process towards a Screen Agency. This would follow a similar course to the South of Scotland Economic Partnership, which also requires legislation for its establishment but which has an interim board. The Screen board should include experts from different sectors within the industry. It should consult the sector and make full use of the expertise offered by Scots who have made international careers in the screen sector.

Infrastructure – the urgent need for studio space

The Committee believes lack of progress over at least the last 50 years in developing infrastructure capacity has been a factor in Scotland falling behind other parts of the UK. Lack of available infrastructure greatly diminishes the overall package on offer to international productions and undermines what might be considered an otherwise attractive range of financial incentives.

The Committee believes that the failure of the Film Studio Delivery Group, which was set up in 2013, demonstrates the weakness of the "multi agency" approach which underpins the Screen Unit and supports the case for a stand-alone agency.

Although the Committee welcomes the announcement by Creative Scotland that it is close to finalising a business case for a studio proposition, the Committee believes that there is an urgent need to deliver new infrastructure – not just plans for new infrastructure – within the next six months and it should be a Scottish Government priority to ensure that this happens.

The Committee notes the existing clusters of studio capacity around Scotland. Our visits to Wardpark, the BBC and Glasgow Film City confirmed the importance of the cluster in and around Glasgow, and the evidence from *Comhairle nan Eilean Siar* highlighted the potential of Studio Alba in Stornoway. Notwithstanding the need to

develop additional studio space, we recommend that the Screen Unit work in partnership with existing clusters while also making the delivery of additional capacity a priority and in the most suitable location.

Although the Committee understands the challenges presented by State Aid rules, we consider it unacceptable that while other areas of the UK have developed enhanced studio infrastructure in line with State Aid rules, Scotland has continued to fall behind. While others have approached the demand for studio space imaginatively, Scotland has been overly cautious and nothing has been delivered at the initiative of any of the public sector bodies or agencies involved.

The Committee expects the delivery of a studio to be an immediate priority for the new Executive Director of the Screen Unit and wishes to see significant progress towards the delivery of additional studio capacity within the first six months of her appointment. We shall continue to monitor progress on this issue.

Broadcasting – the role of Public Service Broadcasters (PSBs) commissioning in supporting Scotland's Screen businesses

The Committee has heard considerable concern expressed by the sector, both in the context of this inquiry and the Committee's wider scrutiny of the BBC and Ofcom, about the impact of the commissioning policy of the Public Service Broadcasters (PSBs) on the screen sector in Scotland. The Committee agrees with the SSLG that increasing PSB commissioning well help build skills and capacity in the sector and this is essential to attract work from other sources, in particular international screen productions.

A particular focus of concern is the practice of "lift and shift" whereby a production is moved from one location to another in order to fulfil out of London production quotas. Despite some suggestions that these practices have brought productions to Scotland, the Committee remains sceptical that this approach has resulted in sustainable and strategic benefits to the screen sector in Scotland.

The Committee shares the sector's concerns that there is a need for more robust out-of-London and nations production quotas and we welcome Ofcom's review of the guidance.

The Committee **recommends** that reporting of what makes a Scottish production is made more robust and that checks on accuracy of the information provided is tightened.

The Committee has concerns around the practice of 'lift and shift' and **recommends** the definition of a Scottish production be improved and this should include the definition of 'substantive base'.

We **recommend** consideration should also be given by Ofcom to a nations quota for ITV as this is currently applied to the BBC and Channel Four.

The BBC has a particular responsibility to the creative industries in Scotland and we welcome the recognition of this in its charter. The Committee wants to see a substantial increase in the proportion of license fee revenues spent in Scotland.

The Committee welcomes the proposed new BBC Scotland channel but notes the concerns of the sector that the funding allocated to it will not be sufficient to meet expectations on quality, particularly in the important area of drama. We expect the BBC to keep the Committee informed as to how it will address these concerns.

While the Committee welcomes the new channel, we also consider that Scottish content should feature strongly across the whole BBC network. Given the concerns raised about the role of commissioners and the lack of decision making power in Scotland, the Committee calls on the PSBs to set out how their approach to commissioning supports the screen industry in Scotland.

The Committee welcomes plans for an MOU between the Screen Unit and the BBC but is concerned at the time it is taking to achieve this given that the Director General made the commitment in 2016. The Committee considers that the MOU between the Screen Unit and the BBC should reference how both will work together to support up-and-coming talent and support the development of ideas. The Committee expects the two organisations to complete the MOU within six months.

The Committee encourages the Screen Unit to set out, as a soon as possible, how it hopes to achieve its commitment to reach agreements with digital content providers, such as Netflix and others, who will play a defining role in the future of the industry.

The Committee welcomes the work currently being carried out by Ofcom on representation and portrayal of the nations and will scrutinise any recommendations relating to representation and portrayal in more detail at a later date.

Getting the basics right –funding, training, data and audiences

The Committee welcomes the increased funding of £10m from the Scottish Government to Creative Scotland to support the new Screen Unit. The Committee considers that this will have the potential to support significant new investment in the screen sector in

Scotland and we believe a substantial proportion of this money should go towards supporting production.

The Committee heard compelling evidence about the ownership of ideas and its key role in bringing economic benefit back to Scotland. The Committee welcomes the support for new content development, as we consider the fostering of new original ideas is central to the growth of the indigenous sector. The Committee therefore encourages the Screen Unit to consider how it might provide greater support for the development of ideas and new content. The Committee will continue to monitor the funding's effectiveness.

Inward investment and attracting productions to Scotland will be central to growing the sector. The Committee would like to see a coherent strategy for how the Screen Unit will attract productions and investment and how it intends to sell Scotland on the international stage and identify opportunities.

Despite the importance of inward investment, the Committee believes that any public support which is used to attract productions to Scotland should be accompanied by a robust set of criteria which ensures that it provides wider benefits for the creative industries in Scotland.

The Committee believes that Scotland provides unique location opportunities. We acknowledge that the Screen Unit proposal also focuses on the need to sell Scotland on the international stage. The Committee seeks assurances that the Screen Unit has the capacity to meet this ambition and that they have a strategy that can compete internationally. Given the increasing role of digital content providers, the Committee would like to see a greater focus on how the Screen Unit will work with the industry.

As the EKOS skills survey is now complete, the Committee expects to see progress on the skills plan and further detail on how the industry will be involved in developing a strategy for skills. The Committee **recommends** that the skills plan include:

- How funding can be centralised and provided on a more consistent and longer term basis;
- How skills and training can be rolled out in a more consistent manner nationally and best practice shared across the country;
- A focus on improving routes into the industry;
- A plan for improving diversity and inclusion within the sector; and
- Consideration as to whether Scotland should design its own qualification for screen.

The Committee heard a great deal of positive feedback from those in the industry on the New Entrants Training Scheme. The Committee **recommends** that consideration be given to how more companies and individuals could benefit from this scheme.

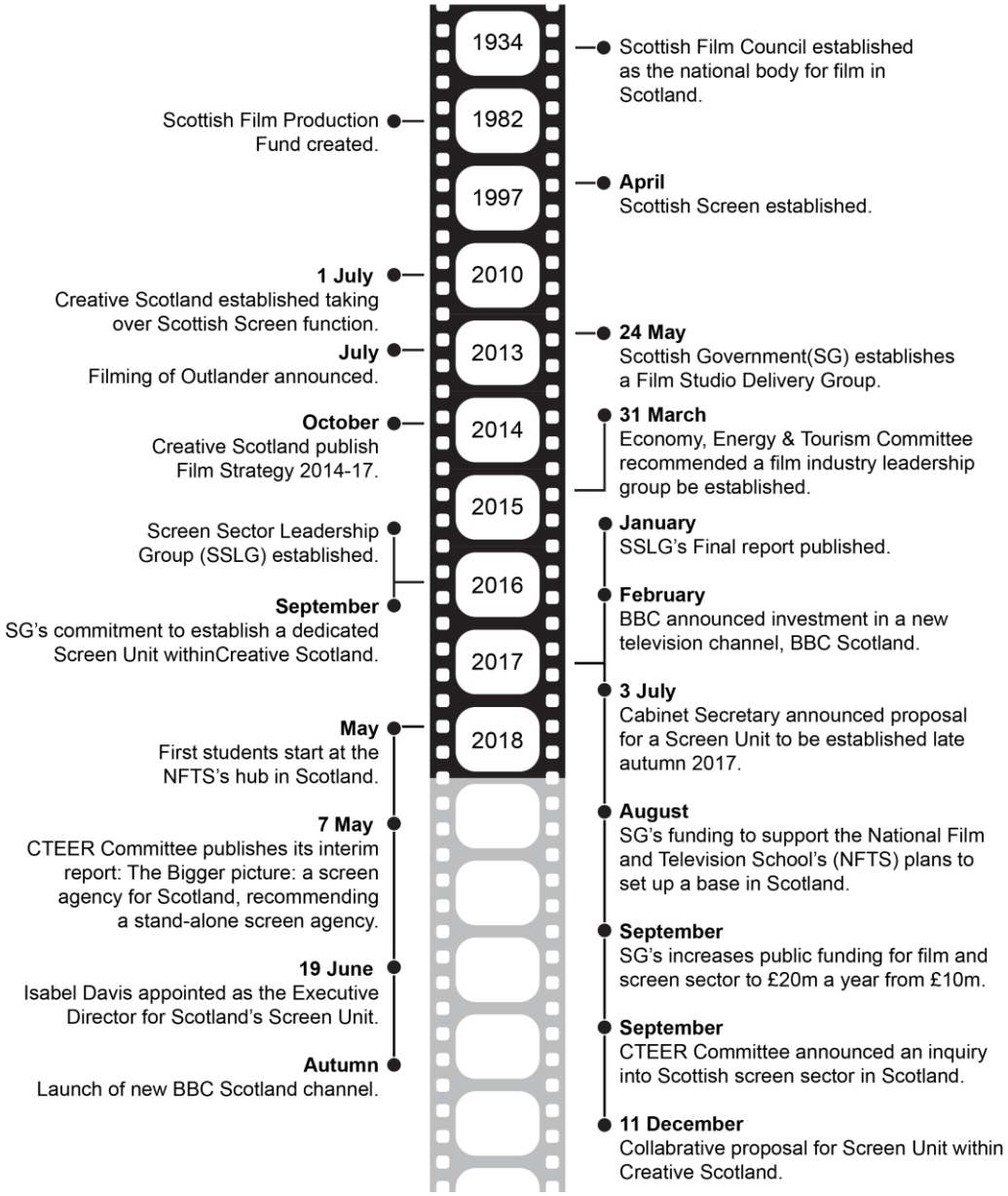
Without reliable data on spend, it will be impossible for the Screen Unit to demonstrate return on public investment. It is therefore vital that the commitment to a data hub made in the collaborative proposals, and repeated by the Chief Executive of Creative Scotland in correspondence to the Committee, is delivered. The expectation in the sector is that this would be a bespoke hub for screen.

The Committee **recommends** that the Screen Unit develop an overarching strategy for the distribution, exhibition and audience development sectors.

The Committee will continue to monitor the progress of the Scottish Government's Digital Strategy. In the meantime, the Committee **recommends** that the Screen Unit work across the exhibition and distribution sector to map where digital provision could and should be improved.

Introduction

1. The performance of the screen sector in Scotland has been a long-standing debate in Scottish cultural and public discourse. Indeed, the issue of the lack of a purpose built film studio in Scotland dates back to at least the 1950s. Recent developments with regard to the public policy response to support the screen sector emanate from a **March 2015** report by the Scottish Parliament's Economy, Energy and Tourism (EET) Committee into the economic impact of the film, TV and video games industry in Scotland[1]. The report found that the distinct remits of Creative Scotland and Scottish Enterprise were acting as a barrier to the provision of effective support to the screen sector, including the delivery of a film studio. It also criticised the commissioning policies of public sector broadcasters in Scotland and the practise of "lift and shift" in which programmes made by companies mainly operating outside Scotland are categorised as Scottish in order to meet Ofcom quotas.



2. The EET Committee recommended that the Scottish Government provide direction to Scottish Enterprise and Creative Scotland to work in partnership to support the economic and cultural needs of the industry and proposed that a film sector leadership group be established to facilitate engagement with the industry and to enable public bodies to understand and respond to its needs. The Scottish Government, in response, tasked Creative Scotland to establish such a group.

3. In **early 2016**, a Screen Sector Leadership Group (SSLG) was established. The SSLG comprised 14 representatives from the sector with the former Controller of BBC Scotland, John McCormick, as Chair. The SSLG focussed on the key themes of vision, leadership, strategy, infrastructure, intelligence, public support, broadcasters and quality.

4. On leadership, the SSLG report said there was a need for "clarity around the remits of the public sector bodies supporting the sector and clear leadership from one body that has responsibility for both economic and cultural development across the sector." On broadcasting the SSLG report recommended: "an ambition for all broadcasters to support and invest more in Scotland while recognising that the prime responsibility and expectation rests with the BBC as the primary publicly-funded broadcaster". The SSLG concluded that "there is a need - and expectation - that the BBC will enhance its investment in Scotland and work in partnership with Creative Scotland to achieve sustained development."

5. The Scottish Government's Programme for Government 2016-17, published in **September 2016**, included a commitment to establish a dedicated Screen Unit within Creative Scotland, stating that:

> The priority for Scotland's screen and creative industries is to deliver growth in production activity, generating more and higher quality job opportunities and enhancing sustainable economic impact.

> To enhance its support for the screen sector, a dedicated screen unit will be set up within Creative Scotland in the next year. It will combine expertise from our creative and enterprise partners and oversee support, increasing inward investment and helping development, production and distribution.[2]

6. The SSLG's final report was submitted to the Committee in **January 2017**. The Chair's Foreword to the report made the following observations with regard to the sector:

> Over the past 50 years Scotland has produced a wide range of films and television programmes with many international successes, saying something about Scotland to the rest of the world and reaping a rich return on the investment, culturally and economically. At different times during those 50 years it seemed as though we were close to achieving a breakthrough to sustained development and growth of the screen sector as a whole, making a significant contribution to our national life and beyond. Despite the many individual

> successes, it has not happened. Scotland should be the second most valuable and productive area outside London but, sadly, it has fallen behind other parts of the UK.[3]

7. The report identified the lack of an over-arching screen strategy and a lack of leadership and accountability. Primarily, this lack of leadership and accountability was attributed by the SSLG to support for the sector being fragmented across a number of different public sector agencies. The SSLG report made a range of recommendations to address this situation including support for the Scottish Government's proposal to establish a dedicated screen unit.

8. On 3 **July 2017**, the Cabinet Secretary for Culture, Tourism and External Affairs, Fiona Hyslop MSP [hereafter the 'Cabinet Secretary'] wrote to the Committee explaining that officials across the Scottish Government and the relevant agencies (Creative Scotland, Scottish Enterprise, Skills Development Scotland, Scottish Funding Council, and Highlands and Islands Enterprise) were working to develop a joint proposal for the Screen Unit which would be presented to Ministers in late autumn 2017.

9. The Committee agreed to undertake an Inquiry into Scotland's Screen Sector in **September 2017**. The inquiry's focus was on how to best implement the recommendations of Screen Sector Leadership Group's report on strengthening and developing the Scottish screen sector.

10. A call for evidence was issued in September 2017 and closed in November 2017 with 26 submissions having been received. The Committee wishes to thank all those who submitted evidence, either in written or oral formats, as part of this Inquiry.

11. The Committee initiated its inquiry with a series of fact finding visits to BBC Studios at Pacific Quay, Glasgow; Film City Glasgow; Wardpark studios, Cumbernauld; and Northern Ireland Screen, Belfast. The visits provided members with an invaluable insight into how the industry operates and the Committee would like to thank all those involved.

12. The Screen Unit Proposal was approved by the Cabinet Secretary for Culture, Tourism and External Affairs, Fiona Hyslop MSP, in **December 2017**. She foresaw establishment of the Screen Unit by the end of the 2017-18 financial year. Commenting on the Screen Unit proposal, Ms Hyslop said:

> I am encouraged by the progress and clear partnership approach behind the Screen Unit proposals, and I recognise the significant effort that has gone into their production by our agencies, including Creative Scotland.

> I welcome the single plan which details how each agency will contribute to achieving a shared vision for the sector which is 'more vibrant, strong and resilient, supports sustainable creative enterprises, and grows its contribution to Scotland's social, cultural and economic success'.[4]

13. The Committee initiated oral evidence sessions in **February 2018**. In total, the Committee held nine evidence sessions, and heard from over 50 witnesses in oral evidence, as part of this Inquiry. The Committee also received 26 written submissions in response to the call for evidence the Committee issued at the outset of this inquiry.

14. One of the key objectives of the Committee's inquiry was to ensure that the Screen Unit was designed in such a way as to deliver the kind of transformational change the industry needs and not repeat the mistakes of the past.

15. However, over the course of the inquiry it became evident to us that a considerable body of opinion considered that the proposal for the new Screen Unit might not mitigate concerns surrounding the public sector fragmentation, leadership and accountability.

    The Committee agreed with this view and published an interim report on **7 May 2018**, entitled The Bigger Picture: A Screen Agency for Scotland. In the report we recognised that there were dedicated and talented individuals working on screen within Creative Scotland, but indicated that ultimately the Screen Unit needed to be transformed into "Screen Scotland": an independent screen agency with a wide-ranging remit to represent and promote the screen sector in Scotland. We recommended that both the staff and the Board members of "Screen Scotland" should be individuals with a strong knowledge and understanding of the sector, and with the vision to ensure that Scotland can compete successfully in a global market.

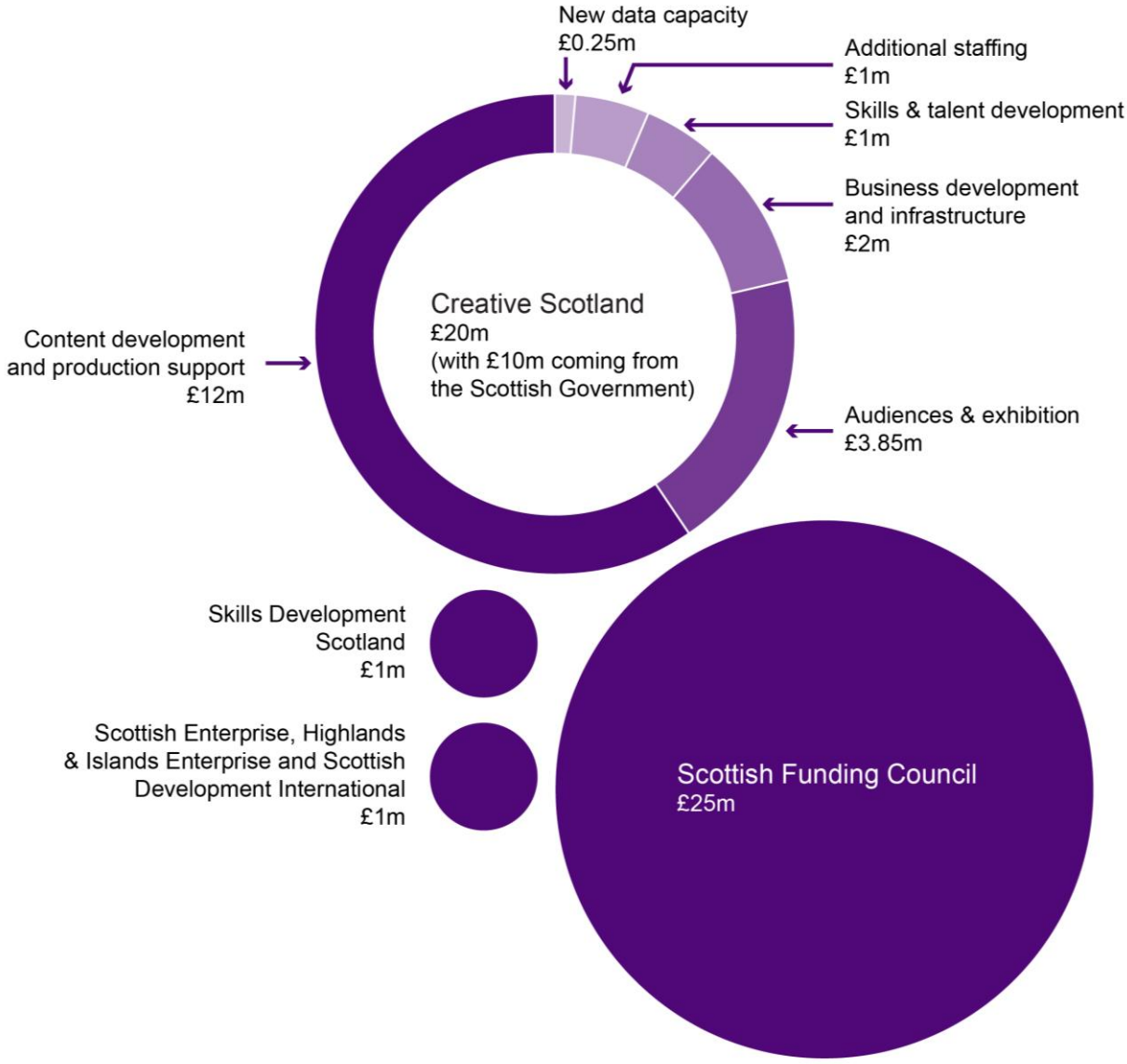
16. However, the interim report also recognised that the establishment of the Screen Unit is underway and that there is widespread support for its development. We therefore recommended that work should continue on the Screen Unit, but plans should be developed for how it can be transformed into a stand-alone agency.

17. In evidence to the Committee on **31 May 2018**, the Cabinet Secretary for Culture, Tourism and External Affairs, Fiona Hyslop MSP outlined the Scottish Government's commitment to Screen stating that:

> The Scottish Government has responded to the screen sector's ask and has backed our film and television industry by doubling its funding this year, with an additional £10 million in production development and growth funding. That means that there will be screen funding this year of more than £20 million, compared to just over £3 million of Government funding for screen through Creative Scotland in the financial year 2007-08.[5]

18. Increased funding for film and TV production in Scotland was the first priority identified in the SSLG report. We welcome the new money for screen announced by the Cabinet Secretary. We acknowledge that this new money is already making an impact internationally and domestically and has increased interest in Scotland as a destination. However, in order to maximise the opportunity of any increased public sector funding, the delivery mechanism needs to be correct. This is why we

have devoted considerable time as a committee to examining plans for the Screen Unit.



19. At the outset of this Inquiry, the Committee had been informed by the Cabinet Secretary that the Screen Unit would be operational by April 2018. To date, the Screen Unit is not yet operational.

20. The Committee, in this report, reaffirms the recommendation, in our Interim Report, that there needs to be an independent screen agency rather than a unit within Creative Scotland. This report provides more detail on why this is essential if the public policy response to support the screen sector in Scotland is to meet the ambition set out by the SSLG. The Committee considers that the financial resources provided by the Scottish Government are now in place to support the sector. However, the organisational structure proposed for the Screen Unit is inadequate.

21. This report also examines progress on the other areas that were identified as priorities by the Screen Sector Leadership Group and, previously, the Economy Energy and Tourism Committee's report. These include the key matter of infrastructure and in particular the delivery of a dedicated studio. Responsibility for delivery of a studio will now fall to the Screen Unit. However, we note the failure of the inter-agency body (the Film Studio Delivery Group) charged with delivery of a studio since 2013. This casts doubt on the ability of a public sector collaborative approach and further underlines the recommendation for a stand-alone screen agency.

22. This report also examines commissioning by Public Sector Broadcasters (PSBs), including the BBC. This was identified as a priority by the EET committee and the SSLG. We welcome the regular engagement the Committee has with PSBs and Ofcom as their regulator. The SSLG also identified PSBs to be of critical importance to the creative industries in Scotland. The independent production sector has also asked the Committee, in evidence submitted, to raise its concerns about the commissioning policies of the PSBs.

23. Since the 2015 EET committee report, a new BBC Charter has been agreed which commits the Corporation to support the creative economy in the Nations and Regions of the UK. The BBC has unveiled plans for a new dedicated channel in Scotland. Ofcom has launched a review of 'Out of London' programming quotas, including specific quotas for the nations of the UK. The first part of this review took place during the course of this inquiry. Ofcom is also reviewing the representation of the UK nations on network television.

24. The Committee has written to Ofcom to share the evidence it has gathered on commissioning and production as part of its review. We have devoted considerable time to gathering evidence about "lift and shift" and recommend that more is done to address the recognised problems with it. We also note that there are models of good practice in commissioning, in particular BBC Alba where almost all the money spent on commissions is spent in Scotland.

25. Our report concludes by examining specific areas that the SSLG identified as in need of attention if Scotland is to achieve its ambition of becoming a global screen leader. This includes skills and training, data gathering and distribution. Each of these areas requires considerable work in order to achieve the transformative change required. That will be the task of the Screen Unit and further underlines the importance of our key recommendation that it should become a strong, independent, agency.

From Screen Unit to Screen Scotland: the case for a stand-alone agency

Introduction

26. As part of the Screen Sector Inquiry, the Committee published an interim report in May 2018. The key recommendation of that report was:

> We want a vibrant screen sector in Scotland. That requires a stand-alone agency which is not encumbered by bureaucracy and is industry led. An autonomous "Screen Scotland" will help nurture, develop and support indigenous talent, deliver more studio capacity, attract major productions, and represent Scotland to the rest of the world. It's time to accelerate our ambition for screen as a nation. It's time for action.[6]

27. We reaffirm that recommendation and below consider in detail why a separate agency is necessary.

Leadership, Vision and Strategy

28. The Screen Sector Leadership Group commented, in their final report, on the historical performance of the screen sector in Scotland as follows:

> Over the past 50 years Scotland has produced a wide range of films and television programmes with many international successes, saying something about Scotland to the rest of the world and reaping a rich return on that investment, culturally and economically. At different times during those 50 years it seemed as though we were close to achieving a breakthrough to sustained development and growth of the screen sector as a whole, making a significant contribution to our national life and beyond. Despite the many individual successes, it has not happened. Scotland should be the second most valuable and productive area outside London, but sadly, it has fallen behind other parts of the UK.[7]

29. The SSLG brought together expertise from a range of specialisms within the screen industry to prepare its report. The Committee considers that the collaboration of the sector on the development of the report was extremely important in itself and the report presented a clear and strong case for the establishment of a Screen Unit in Scotland.

30. As well as the SSLG, many industry bodies and individuals active in the sector in Scotland have articulated loudly and clearly their ambition for screen in this country. We are struck by the enthusiasm, the expertise, the drive and the

commitment of the sector in securing a strong future for screen in Scotland. This was reinforced by the many Scots who we heard from who occupy key positions in the film industry elsewhere in the UK and globally, and who are also committed to supporting the development of the Scottish screen sector going forward.

31. In evidence, the Committee heard from many people who articulated a considerable degree of frustration with the lack of leadership, vision and strategy for the sector shown by the bodies that have been responsible for promoting the sector. This was summed up by director Tommy Gormley, who told the Committee that:

> We have not just missed the boat in this country; we have missed an entire fleet. There has been a cataclysmic failure at every level to deliver. It is a disgrace that the amount of production done in Scotland is catastrophically low compared to that in the UK.[8]

32. Iain Smith, the Chair of the British Film Commission (BFC), also commented on Scotland's relative lack of success, saying "if I look at a map of the UK, to my huge frustration, I have to say that Scotland is underperforming compared with the other nations, such as Northern Ireland and Wales."[9] He observed that "Scotland used to be the second production cluster in the UK after the south-east; at the moment, it is in fourth or fifth position after Wales, Cardiff and Bristol—even the Leeds-Manchester cluster is getting a bit serious now—and, of course, Northern Ireland."[10]

33. The decline in Scotland's position relative to the rest of the UK has happened during a period when there has been profound change in the consumption of screen content. During the inquiry the Committee heard many references to the fact that only a few years ago, online streaming was in its infancy. Now it is a key way of consuming entertainment and the budgets of online screening platforms have created a surge in demand. Netflix alone plans to spend $7-8 billion on commissioning content in 2018.

34. Iain Smith from the BFC also reflected on the importance of understanding this change, which he described as a "paradigm shift", in the following terms:

> It is amazing. Netflix is just the beginning; beyond it, there are really big companies that are coming in fast. Obviously, there is Amazon, and Apple is now coming in, along with Google and Hulu. Above and beyond those is Disney, which has just bought 21st Century Fox. We might ask ourselves what that is all about. The answer is that Murdoch decided that Fox was not big enough. It was capitalised at $90 billion-plus, but it was not big enough to enter the international battlefield. He made a smart move and went inside Disney, which is much bigger. Members should just wait and see what will happen with Disney—it will start moving in on global content.[11]

35. Nations and regions all over the world have recognised the potential of the screen industry and have invested in studios, developed incentives and established screen agencies with a view to capitalising on this growth. Iain Smith explained how these changes could be positive for the screen sector in Scotland. He told the Committee that the increase in the demand for entertainment and content provided an opportunity for Scotland as its "cost base is good—it is low compared with the south and certainly compared with America."[12]

36. Chris Young, from the Young Films Foundation, described the development of online screening as "a golden opportunity for us makers, because the platforms are all changing, but the demand for content is still there and is increasing."[13] John McCormick told the Committee that the demand for content generated by the new delivery models meant that Scotland no longer needs to be "stuck with the two or three public service broadcasters and the odd feature film."[14] He explained:

> These people need a lot of content, and a lot of them know about and are very keen on Scotland. The people in the Screen Unit need to be the kinds of people whom they want to talk to, who can make these kinds of decisions quickly and who can tip them into coming here and ensuring that the next "Game of Thrones" or whatever does not go to Northern Ireland.[15]

37. In Scotland, the filming of the Outlander series in Wardpark studios in Cumbernauld demonstrates the value of the screen industry in terms of investment and jobs. Sony has invested over $400 million in the project which has provided wide-ranging employment and training opportunities. Unfortunately, Outlander has been the exception and Scotland has failed to secure similar investment of this type and scale. Furthermore, it should be noted that Creative Scotland played only a limited role in securing this investment which was private sector led.

38. Ken Hay, member of the SSLG and Chief Executive of Edinburgh International Film Festival, suggested to the Committee that a test of the success of the Screen Unit would be whether it could deliver a major production to Scotland. He commented:

> Northern Ireland has made its name in the past few years with "Game of Thrones". My question for the committee to consider is whether the Screen Unit makes it possible for Scotland to have any chance of getting the commission for the next "Game of Thrones.[16]

39. In January 2018 the Committee visited Northern Ireland Screen's (NIS) headquarters in Belfast to discuss the organisation's approach with its Chief Executive Richard Williams. Over the last 15 years Northern Ireland has seen its screen sector grow substantially, fuelled by the success of the HBO series Game of Thrones. Mr Williams noted that securing popular international productions like Game of Thrones had helped support production at the domestic level. In contrast to the position in Scotland, the approach taken in Northern Ireland was

characterised by the existence of key infrastructure being in place and the pro-active approach taken by public agencies in order to secure investment.

40. Members of the Committee were struck by the straightforward strategic approach adopted by NIS which focused on delivering three ambitions:

- Northern Ireland will have the strongest screen industry outside of London in the UK and Ireland within 10 years;
- The industry in Northern Ireland will be supported by vibrant and diverse cultural voices that are recognised and celebrated equally at home and abroad;
- The sector will be underpinned by the most successful screen and digital technologies education provision in Europe ensuring that the education is within reach and of value to the most socially disadvantaged

41. The Committee was interested to understand the relationship between NIS and the Northern Irish Government. Unlike the proposal for the Screen Unit, NIS is responsible to the Department for Economy. Mr Williams considered it fundamental that NIS be seen as creating economic value as this in turn encourages more inward investment and growth. The Committee questions whether the new Screen Unit can have the same economic focus given the inter-agency model set out in the Screen Unit proposal. Furthermore, it is not clear whether Creative Scotland as the lead agency can give the requisite level of attention to the Screen Unit given its remit covers a broad range of cultural activities.

42. Titanic Studios and Northern Ireland's offering in terms of studio provision is seen as key to the securing of major productions like Game of Thrones. In discussions with Mr Williams the Committee examined how the support and enthusiasm of the Northern Irish government had helped attract larger projects and the role it played in helping develop studio facilities through public private partnerships.

43. The Committee also discussed the role public service broadcasters (PSBs) and commissioning plays in Northern Ireland, raising the issues of 'lift & shift'. For Mr Williams this phenomenon was not necessarily negative but it had to be managed in such way as to have wider benefit for the domestic industry. He cited Derry Girls as a recent example which was produced by a London company but it was a local production in a meaningful sense.

44. It is clear to us that the screen sector in Scotland has fallen behind other parts of the UK. Once it was in second place to London. Now other nations and regions have developed stronger and more successful industries. This has been achieved through clear strategies and dedicated bodies, such as Northern Ireland Screen, which have had the autonomy and the resources to deliver a vision for their nations and regions. Scotland, on the other hand, has lacked that direction. The Committee highlights the approach adopted in Northern Ireland which is focussed on the delivery of three ambitions and considers that this provides a model which

the Screen Unit should adopt. Instead, responsibility for the screen sector has sat within a wider agency responsible for all of the arts and creative sectors in Scotland. We consider that this has been a factor in the comparatively poor performance of the sector in Scotland.

45. However, the Committee also heard evidence from individuals in the industry that Scotland should not simply emulate what others are doing, but strive to do better. Annie Griffin from Pirate Productions told the Committee:

> Some of the documents for this meeting talk about the successes in Northern Ireland and Ireland. We could actually do better. There is no great show set in Belfast that is produced by a Northern Irish company. There is no great show set in Dublin. The show that I am doing at the moment is set in Dublin. Sharon Horgan's company has had tremendous growth just in the past few years, but it is remarkable to think that, for all the support that the industry has had from the Irish sector, there has never been an on-going drama set in Dublin that we can all refer to or are familiar with. We could do that in Scotland. We have the talent here; we have the locations here. We should aim higher than those other countries.[17]

46. Over the last 20 years Scotland's relative position within the UK has declined, the industry as a whole has begun to change profoundly. In the last few years, the growth of online screening platforms such as Netflix and Amazon have increased demand for original content. This presents a significant opportunity for the screen sector and Scotland has benefited in a number of ways, including from Outlander being filmed at the Wardpark studios in Cumbernauld. Securing productions of this scale provides employment and training opportunities, as well as bringing significant economic investment and spend to Scotland. In addition, it brings new players into the sector in Scotland. Whilst previously the majority of demand in Scotland came from the domestic broadcasters and films, there is now more potential for demand to come from international productions.

47. The Committee's interim report recommended that Scotland must have a stand-alone screen agency. We continue to hold that view, which is endorsed by many in the industry. While we welcome the establishment of a screen unit within Creative Scotland as a step forward, we believe a strong, autonomous agency would be better equipped to take advantage of the rising global demand for screen content and the significant economic opportunities this brings. The Committee welcomes the substantial additional funding the Scottish Government has allocated to support the screen sector. However, we want to see the highest possible return on that investment. That is best achieved by an autonomous agency with the tools to support Scotland become a global screen leader.

48. We understand the establishment of a stand-alone agency will take time and we expect the Screen Unit in Creative Scotland to move towards that. We do not wish this process to slow down progress at a time when there are so many opportunities for screen in Scotland. In this report we also make recommendations on how the existing unit can address industry concerns raised with us in evidence.

49. The proposal for a Screen Unit within Creative Scotland was developed primarily to address the fragmented approach to support for the sector. However that fragmented approach is duplicated in the "collaborative model of governance" proposed for the Screen Unit. As the Committee pointed out in its interim report, if the Screen Unit is to be fleet of foot when responding to opportunities within the marketplace then it cannot be burdened by cumbersome and overly bureaucratic governance arrangements.

Promoting the Scottish Screen Sector to a Global Industry

50. The Committee heard that it was important to have a clearly identifiable body to which potential producers from all over the world could approach about using Scotland as a location.

51. The Screen Unit proposal talks in very broad terms about the agency being globally competitive, recognised internationally as a centre of excellence and innovation for content development and production. Action 12 of the proposal also talks about building on success in international film markets by developing the understanding, markets and access for TV and new digital streaming markets. The Committee is surprised that the Screen Unit proposal does not discuss the importance of these areas in more detail given they will play a pivotal role in the industry in the future.

52. The Committee understands the 'single front door' and portal are currently in development. Iain Munro, Deputy Chief Executive of Creative Scotland, commented on the timetable for the portal and single point of access to screen sector support in the following terms:

> That is very much in train. It will be part of the moment when the executive director post is announced and there is a launch of the Screen Unit. Phase 1 of the build of the website that will act as the single front door is in place. In phase 2, we are working to populate the website and ensure clarity of content and access through a single front door to joined-up partners behind it.[18]

53. The Economy, Energy and Tourism Committee identified the need for an online portal in 2015. The portal remains in development and therefore has yet to be delivered. The SSLG report commented on the portal in the following terms:

> A working group of representatives from Scottish Enterprise, Business Gateway, Creative Scotland and the Cultural Enterprise Office had carried out a mapping exercise of support for the screen production sector in Scotland and reported its findings to Independent Producers Scotland in November 2015. One of the main findings was that a web-based navigation tool should be developed to help businesses identify and access business development support and advice. This on-line 'portal' is being developed in partnership with the sector. Cultural Enterprise Office has been identified as the delivery partner for this project and the process and funding for the portal is under discussion.[19]

54. In evidence to the Committee, John McCormick, in his capacity as a Chair of the SSLG, commented on the need for a portal that:

> Some basic things need to be done, but we must make sure that the people who want to invest and develop businesses in Scotland can phone or text someone and say, "Can you help me? What do I need to do about this?" That sort of thing is not there at the moment, but those who have designed the Screen Unit know that it is necessary. This has got to happen from the most basic level of having a website up to working with the industry and international players to find out what they need and want. The appointment of the leadership team and the governance and accountability elements are crucial to getting that right and ensuring that the right questions are asked.[20]

55. The Committee believes that a dedicated online portal for screen is a basic requirement. The fact that this was recognised in 2015 and has yet to be delivered is profoundly disappointing. Such abject performance does not generate confidence for the more general collaborative approach and further makes the case for a stand-alone agency. The Committee expect to see a fully operational portal for screen before September 2018.

56. Director Tommy Gormley addressed the need for a clear point of contact for the screen sector in Scotland and questioned whether the Screen Unit proposal would provide a solution:

> It is all very unclear. The name "Scottish Screen Unit" is not very enticing—it should be something like "Film Scotland", "Screen Scotland" or whatever. "Scottish Screen Unit" smacks of the incredible lack of ambition that is written through this whole story. For a start, the name is unambitious. Secondly, where is the clarity? Is it a unit within something else that is within something else? If I was from somewhere else, I would think that it looks a bit unprofessional.[21]

57. Dr Franklin, from Goldsmiths' Institute for Creative and Cultural Entrepreneurship, said:

> Such outreach has to be part of the holistic approach of the Screen Unit so that, when people in different countries are being educated about what is on offer here, they know about the Pentlands unit or whatever. There is a need to be proactive as well as responsive.[22]

58. In response to questioning from the Committee about whether a stand-alone agency would be able to address his concerns, Director Tommy Gormley responded:

> The decision to merge Scottish Screen with Creative Scotland was catastrophic—Scottish Screen lost all its power, authority, drive and focus. It was a terrible decision. I was in New Zealand filming this year, and if we google "Film New Zealand", up it pops on page 1. I have been filming in Norway and was in Paris last year—every country that I go to has that approach. The situation here is so convoluted that it is embarrassing, frankly.[23]

59. Others were more cautious. Producer David Smith, said:

> I agree with you that recommissioning Scottish Screen would be nice in five or 10 years' time. However, we are where we are, and we have to work with the structure that has been put in place. The Screen Unit is a positive step forward if we can make it work in the way that it should.[24]

60. Iain Smith, Chair of BFC, considered that the screen sector should be treated as a major industry and that the way in which the screen sector was supported would have wider implications for Scotland's performance in the future. He observed:

> We are failing because of uncertainty; we are failing because of good old Scottish caution. In my occasional dealings with Scottish Enterprise, I have been dismayed, frankly, about its apparent inability to understand that the screen sector is a real business—a real industry. It is much better than shipbuilding. The old industries have gone; screen is the future. Furthermore, on the larger issue of Scotland's image, how Scotland is seen in the world is directly linked to our participation in the media world, and that will affect how Scotland performs in all sorts of ways.[25]

61. Arabella Page Croft, of Black Camel Productions, strongly advocated for a stand-alone agency:

> I think that I speak for pretty much all the independent producers when I say that we would strongly advocate having an independent unit and resources from Scottish Enterprise being put into it. …. Perhaps when we have companies of scale and things become more corporate, Scottish Enterprise's expertise will be valued. However, at this point, when we are growing our companies from the

> ground up, we need a Screen Unit that really gets under the skin of the whole industry and begins to know it.[26]

The governance of the Screen Unit

62. There is currently no screen sector experience on the Creative Scotland Board. The Screen Committee advising the Screen Unit has a minority of screen industry figures and instead the majority of the members of the Screen Committee are representatives of public sector bodies.

63. The Screen Unit proposal sets out the shared vision of the partner agencies for a screen sector in Scotland that:

- is more vibrant, strong and resilient, supporting sustainable creative enterprises, and grows its contribution to Scotland's social, cultural and economic success
- is globally competitive, recognised internationally as a centre of excellence and innovation for content development and production, talent, skilled craft and technical crews, infrastructure, facilities companies, exhibition and film education
- develops, attracts and retains talent through inclusive, accessible and progressive education and skills development pathways which are responsive to industry, business and practitioner needs
- supports growth of audience size, diversity and reach, at home and abroad with engaging and acclaimed content and a strong, distinctive cultural voice
- promotes equality, diversity and inclusion, in front and behind the camera and in audience appeal and access.[27]

64. As the Screen Unit will sit within Creative Scotland, it is the Creative Scotland Board which will ultimately take the strategic and investment decisions relating to the Screen Unit. In a letter to the Committee, Creative Scotland indicated that:

> We anticipate that at least two new Creative Scotland Board members will be appointed this year. Our aim is that through public appointments process conducted by Scottish Government, new members will have Screen expertise and that one will take on the role of Chair when Barclay Price steps down from the Board in June 2018.[28]

65. In addition to the Creative Scotland Board, the governance arrangements for the Screen Unit propose a refreshed Screen Committee, consisting of three Creative Scotland non-Executive Directors, representatives from each of the partner agencies and two specialist industry representatives. According to the letter from Creative Scotland,[29] the Screen Committee exists to advise Creative Scotland's

Board through scrutinising the implementation and delivery of the Screen Unit, consider, interrogate and advise on its development, and consider and frame effective partnership delivery to ensure the outcomes outlined in the 'Collaborative Proposal' are achieved. Furthermore, the letter notes that it does not deal with management or operational matters which will sit within Creative Scotland's Screen Directorate who report to Creative Scotland's leadership team.

66. John McCormick expressed concern about the degree of autonomy that the Screen Unit's leadership team would have, saying, "We need to make it clear in the governance set-up—it is not clear from the paper—where decisions will be taken and what level of discretion the Screen Unit's leadership team will have to take decisions, make deals and get things moving in the industry."

67. Other witnesses also expressed concern about the governance arrangements. Chris Young, from the Young Films Foundation, said, "We must get the Scottish Enterprise and Creative Scotland proposal going, but in the wider context—this comes back to the leadership, the strategy and the vision—who will run the Screen Unit and who will guarantee its success?"[30]

68. Ken Hay also questioned the role of the five partner agencies on the Screen Committee and how the governance structure could be improved:

> The reason why we have focused on governance, which the committee has perhaps perceived as a negative issue, is because we want to look at how to make governance better. There are key questions there, for example how the Screen Unit will be free to take the necessary decisions in a sensible timescale. I am not confident that it would be a good thing for five public sector bodies to be involved in taking those decisions. How do we create a governance structure that will allow the wonderful people who will come in the freedom to do the jobs that they will be paid to do?[31]

69. The Committee notes from Appendix E of the Screen Unit proposal that the suggested inter-agency model for the Screen Unit consists of comparatively more "players" than in other similar sized countries. It remains to be seen whether or not this inter-agency approach will work in a cohesive fashion under the proposed governance structure and how decisions will be made at a practical level.

70. Barclay Price, of Creative Scotland, cautioned the Committee not to place too much emphasis upon governance structures. Instead he suggested that:

> The important thing is that everyone works together under a clear plan. Creative Scotland's board and senior team recognise the need to give the holder of the new post and their team full backing to take forward those opportunities.[32]

71. The SSLG report recommended that there be close working partnership agreements between the public bodies especially Scottish Enterprise, Skills Development Scotland and Creative Scotland and a consolidation and streamlining of resources and expertise to make maximum impact.

72. The Committee understood from a letter it received from Creative Scotland of 28 March 2018, that an MOU was being developed between the partner agencies as a matter of urgency. Creative Scotland stated:

> We have appointed a Project Manager … who has a longstanding track record of working in the creative industries in a public sector context, whose first task when she takes up post on April 3 will be to complete the Memorandum of Understanding (or service level agreement) underpinning the governance arrangements between the lead and partner agencies. This will be founded in the Terms of Reference for the Screen Committee which is due to be signed off by Creative Scotland's Board on 29 March.[33]

73. However since receiving the letter the Committee understands that the situation has now changed as Ian Munro explained in evidence to the Committee:

> The plan is to move beyond an MOU between the partners to better describe the nature, roles and responsibilities of the individual partners and how collective working will manifest itself. We will be clear about targets for the organisation and the different outputs and outcomes that can be expected. We will publish that document, which will go well beyond an MOU. It will describe better how the single front door and what is behind it will work, and people will be able to hold us to account on that.[34]

74. When the Committee inquired as to why the situation had changed, acting chair of the Screen Committee Barclay Price explained that:

> We felt that bringing together all the agencies into one working group for the first time was, in itself, an MOU. All the agencies have committed to the group, and the key document is the business plan, which confirms the actions that each of the agencies will take. Uncertainty over what each agency is doing has been an issue in the past. To an extent, the business plan, with its actions and outcomes, is the MOU. In it, every party is signing up to action, whereas an MOU—which we might still develop in due course—would be an overarching document that would not provide the outcomes we are all looking for.[35]

75. Mr Munro indicated that a Business Plan is under development and there will be an update through the screen committee at the beginning of June. He also stated that:

> We are not dismissing the MOU at all because we recognise its importance. However, we do not want to create what could be perceived as a superficial MOU partnership agreement across the public sector bodies. We want there to

> be a business plan that is deeper and more meaningful and which sets out more layers of the roles, responsibilities and expectations with much more clarity than would be achieved with a simple MOU.[36]

76. The Cabinet Secretary commented on the change of approach from an MOU to a business plan by stating:

> The business plan, along with the annual reporting, will be far stronger than a memorandum of understanding that says that something will be done at some point in the future. A business plan sets out what will be delivered, how that will be done and how it will be resourced.[37]

77. Within the Screen Unit proposal the roles and responsibilities of the partner agencies are broadly set out in Screen Unit's action plan. According to the Screen Unit proposal the rationale for this integrated approach is that it better supports joint planning, governance, performance management and service impact evaluation.

78. The Committee took evidence from the Partner agencies, on how they would work collaboratively with the Screen Unit. David Smith of Scottish Enterprise reassured the Committee that "the majority of decisions will rest with the executive leaders of the Screen Unit within Creative Scotland"[38]. In addition, each of the agencies would have a role in supporting the screen sector.

79. As the Committee pointed out in its interim report, if the Screen Unit is to be fleet of foot when responding to opportunities within the marketplace then it cannot be burdened by cumbersome and overly bureaucratic governance arrangements.

80. When the Cabinet Secretary gave evidence to the Committee on 31 May, she indicated that:

> I agree that the unit must be able to take fast and effective decisions. The new executive director will have the authority and freedom to do so. The screen committee is an advisory body to the board on Screen Unit strategy. It is right that the largest decisions, such as decisions that are worth more than £500,000 for a single production, will still go to the Creative Scotland board. However, one should remember that the new board membership will include people with screen experience and will be advised by a committee with further industry expertise.[39]

81. The Committee is concerned that the Memorandum of Understanding (MOU), which would have underpinned the responsibilities of the partner agencies, has been side lined in favour of a business plan which has yet to be published. We note that a business plan was always intended to operate alongside MOUs, not as an alternative to them. The Committee considers there is a fundamental difference between a 'business plan', which sets out the operation of an

individual agency, and a memorandum of understanding, which is the minimum required in the short-term to ensure effective partner agency working. The Committee therefore **recommends** that Creative Scotland should develop a MOU in addition to its business plan to ensure that partner agency responsibilities are clearly defined. The Committee **recommends** that the Cabinet Secretary ensure that Creative Scotland concludes the MOU. The Committee will re-visit this issue once the business plan has been published.

The leadership of the Screen Unit

82. The 'Screen Unit Collaborative Proposal' outlines the structure and staffing of the proposed Unit in the following terms:

> The Screen Unit will be led by Creative Scotland with accountability sitting with their Chief Executive. Creative Scotland will appoint a team of up to 10 new staff in early 2018 to build capacity and add to its current screen resource. New posts will include a new Executive Director post focusing on Creative Enterprise, and roles to support new aspects of the Screen Unit actions.[40]

83. The Collaborative Proposal suggests that additional staffing, skills and investment will be required to support new areas of activity whilst recognising that additional work is necessary to ascertain the capacity needed. In evidence to the Committee on 31 May, the Cabinet Secretary outlined the Scottish Government's commitment to screen stating that:

> The Scottish Government has responded to the screen sector's ask and has backed our film and television industry by doubling its funding this year, with an additional £10 million in production development and growth funding. That means that there will be screen funding this year of more than £20 million, compared to just over £3 million of Government funding for screen through Creative Scotland in the financial year 2007-08.[41]

84. The Cabinet Secretary also stated that:

> Plans are under way for the new content development fund to be launched shortly and we will also see television get the support that it has been asking for. The recently renewed production growth fund is offering £2 million this year, and the new skills survey will report soon. All of that gives me confidence that the services that the Screen Unit will deliver will increasingly meet the funding and training needs of productions.[42]

85. In its letter to the Committee of 28 March[43], Creative Scotland set out its revised plans for the incremental roll out of the new Screen Unit. This included, among other things, information about the Executive Director of Screen and Creative

industries position and the new cohort of staff who would build capacity alongside those who already work within Creative Scotland's screen team.

86. In evidence to the Committee, Ian Munro from Creative Scotland said that:

> The current number is 12, and recruitment for another five is under way. I have mentioned most of them. The current plan is to add another 15, and they will be specialists, largely.[44]

87. The Committee also received evidence about the kind of knowledge, skills and expertise that the Screen Unit would require at executive and non-executive level. For example, Professor Schlesinger from Glasgow University reflected on the need for the expertise within the Screen Unit to understand the changing landscape:

> We are in a period of maximum change in a highly competitive internal UK market, let alone the rest of the world, and I am not clear where the understanding of current trends and future prospects will be situated in the Screen Unit. We have new distribution systems, new devices, and new audience demographics, and there are new challenges to sustaining national content because of the ambiguities in dealing in the global marketplace.[45]

88. Furthermore, some questioned whether the Creative Scotland Board and Screen Committee responsible for the governance of the Screen Unit had the expertise to appoint the right kind of senior staff to the Screen Unit or appropriately scrutinise the operational delivery of the Screen Unit. As Director Tommy Gormley explained in his evidence to the Committee:

> The people in the jobs at Creative Scotland and Scottish Enterprise are not from the hard end of production and do not really understand how or why films are made. We will continue to miss the boat until we have a film studio and we have film makers and practitioners at the top of the quangos.[46]

89. Arabella Page Croft, from Black Camel productions, commented that:

> We need to talk about leadership. There is a lot of uncertainty in the industry about the leadership of the Screen Unit. Let us get a fantastic leader for it, please. I would like to see somebody in the role who just loves the industry from the ground up—from education to audiences and film makers. That is who we need. Our leader will be the front-facing person to the world. We need them to champion Scotland everywhere, to represent our producers, and to play Cupid between Scotland and the world, including, I hope, Netflix, Amazon, the BBC or whoever it is. We need an engaging, intelligent, really charismatic and brilliant leader.[47]

90. Ian Smith from the British Film Commission (BFC) made a similar point about the kind of expertise and industry connections that are required if the unit is to capitalise on opportunities globally:

> Why is the BFC a success? I have personal relationships of trust with key executives in Los Angeles. I brought into the BFC people who had similar knowledge and expertise. They could phone executives at home at night; they could find out things that would be very hard for anyone else to find out. The relationship of trust is most important.[48]

91. During the Inquiry, the Committee understood that Creative Scotland was in the process of recruiting a new Executive Director of Screen and Creative Enterprise and then would seek to employ a new Director of Screen. When the Committee asked Creative Scotland about the recruitment process, Iain Munro stated that:

> I am pleased to say that there was considerable interest in the executive director role. We had inquiries from across Scotland, the United Kingdom and internationally, with more than 100 serious conversations and approaches. We had 40 applications. The panel met yesterday, we have shortlisted six very strong candidates and the interviews will take place in June.[49]

92. Since the Committee heard this evidence, a new Executive Director has been appointed. When the Committee asked about the role and why its remit went beyond that of screen, Barclay Price acting chair of the Screen Committee stated that:

> We felt that this post, which would bring high-level commercial skills to Creative Scotland, could be well used to help us to develop the slightly underdeveloped area of the creative industries, which is another part of Creative Scotland's area. Although the board clearly expects the postholder's focus in the first six months to be very much on screen, so that we get the Screen Unit up and running properly, their skills could then be used to develop other areas of the creative industries. Screen and the creative industries—gaming and so on—are merging more and more in the new landscape, and we felt that such a role could help Creative Scotland across the board and bring some ideas for commercial improvement into some of the other art form areas.[50]

93. The Cabinet Secretary summarised her view on the extended remit for the Executive Director Post in the following terms:

> My message to Creative Scotland has been that the main focus has to be on screen. I am not establishing the position; it is being established by Creative Scotland. However, Creative Scotland might consider the committee's view and my views on the matter. I have not directed Creative Scotland on it – we should remember that it is a non-departmental public body – but I have urged it to focus on the screen sector as the priority.[51]

94. The Committee welcomes the appointment of an experienced industry figure to head the Screen Unit, although we note that the appointment has taken too long. The Committee **recommends** that the Executive Director should have a sole focus on screen.

The Role of Scottish Enterprise

95. There has been a long-standing debate regarding which public agency is responsible for the screen industries. Creative Scotland, which took over responsibility for the sector from Scottish Screen, has been critiqued for failing to sufficiently understand the industrial aspects of screen.

96. Scottish Enterprise, which has Creative Industries, within its remit has been subject to a similar critique. In 2015, the Economy, Energy and Tourism (EET) Committee, in its report on the sector[52], highlighted that there was frustration in the screen industry at being unable to access Scottish Enterprise funding intended to support the Creative Industries. Scottish Enterprise and Highlands and Islands Enterprise jointly summarised their perspective on the barriers to growth within the sector, particularly in terms of growing companies of scale, as follows:

> A key challenge for Scotland therefore is how best to address the absence of companies of scale in the screen sector, combined with a substantial level of freelance employment, which is difficult to track. Creating scale in Scotland's indigenous industry was identified as a critical need for long term sustainability in Building the Platform Success in 2009; a critical need that continues today.

> The challenge is, in essence, a common challenge many industries face ….Scotland has a busy, populous Business Base but struggles to populate the funnel as it proceeds towards Scale Up.[53]

97. The EET Committee recommended that the two agencies collaborated and that an industry lead body be formed to set out future priorities and ways to improve joint working. This led to the formation of the Screen Sector Leadership Group (SSLG) whose report was presented to this Committee in early 2017, leading to this enquiry. That report suggested the new Screen Unit secure commitments on collaboration which would ensure Scottish Enterprise in particular could give the screen sector improved support. This resulted in the 'Collaborative Proposal' presented to the Cabinet Secretary for Culture, Tourism and External Affairs by Creative Scotland in December 2017.

98. In the oral evidence on the Screen Unit, concerns were raised about the proposed governance arrangements. John McCormick, the Chair of the SSLG, commented:

> Your predecessor committee recommended that the screen sector leadership group be set up because of what it felt to be a dysfunctional relationship between Creative Scotland and Scottish Enterprise as the two major public bodies concerned with the screen sector. On paper, the screen committee seeks to address that by bringing the public bodies around the table, but the committee needs a clear purpose and its role needs to be defined. Bringing people around the table does not necessarily lead to agreement or decision making. The committee's role is not clear; clarifying it is the next stage, and we would like to spend some time assessing that matter with Creative Scotland colleagues. It might bring people to the table, but that might mean that it will be nothing other than a monitoring and reporting group that keeps an eye—as this committee has done so intensively—on what is going on and whether people are falling back from their commitments.[54]

99. Ken Hay, of the SSLG, explained to the Committee the thinking behind the recommendations of the group on joint working:

> The task was how to sort out the public sector in its response to the needs and opportunities of the screen industries. The collaborative proposal, as it is called, is a major achievement. I have worked in this industry for too long and been very frustrated at times when trying to get public bodies such as Scottish Enterprise and others around the table. The fact that they have all signed up to the proposal is a major achievement—there is no disagreement about that.[55]

100. The Collaborative Proposal sees support for larger production companies remain with Scottish Enterprise. The methodology that Scottish Enterprise applies to assess eligibility for financial support favours firms with permanent employees, as opposed to freelancers. This results in many individuals and organisations in the sector, which is characterised by a significant degree of freelancing, not being eligible for support. To date, there is no indication that the Screen Unit will change this Scottish Enterprise approach.

101. It was clear from the evidence the Committee took that many in the sector continue to have little confidence that Scottish Enterprise will deliver for their sector. Caledonian TV stated, in written evidence, that the agency is failing to provide business development support to smaller firms and commented that:

> Our company has now been told by SE that we cannot even be account managed by them unless our turnover is £4 million upwards. There appears to be a trend in SE to regard companies close to or above the £10m turnover level as the favoured area for investment. Of indigenous companies, only STV (broadcaster backed) and IWC (part of the Banijay group) have turnovers over £10 million. Two are above £5 million, but the vast majority are below that. We

> would argue that growing companies of our scale – and 25 years of experience and job creation - is also important.[56]

102. GBM Casting, in written evidence, recommended that legislation was required to ensure that Creative Scotland and Scottish Enterprise work together and stated that:

> Scottish Enterprise need to find a way to work jointly with Creative Scotland through a joint set of outcomes that are commercially focussed and play on Scotland's potential.[57]

> We have looked for evidence of support by Scottish Enterprise and spoke to people across the industry and it appears the role of Scottish Enterprise and other public bodies is not understood.[58]

103. David Smith, of the Producers Alliance for Cinema and Television (PACT) was clear that Scottish Enterprise should not have any role with regard to the screen sector. He stated:

> On the convener's point about whether Scottish Enterprise should be involved in that supporting role. Without wanting to be too harsh, my answer is no. If the Screen Unit exists to do a job, it should be empowered to do that job. That is my very strong feeling. Scottish Enterprise has sat around the table for 10 years and a lot of time has been sunk into it, but it has not delivered a great deal.[59]

104. In written evidence PACT observed that in the past the production sector had experienced gaps in international support because the sector is "not classed as 'high growth' by Scottish Enterprise/Scottish Development International (SDI) and miss out on support to international markets as a result. This is an important opportunity to ensure that these gaps are filled."[60] David Strachan of Tern TV, who is also an SSLG member, said:

> One issue with the public agencies, particularly Scottish Enterprise, is that it measures success in terms of job creation. We [the screen industry] create jobs, but most of them are freelance jobs and they tend not to count. They are substantial high-value jobs and they are pretty well continuous. We may have an office full of 50 people. They may come and go but, if we can get the development side right, we have a decent steady flow of work. However, if those jobs do not count and therefore we do not qualify for some of the support that we would like such as investment in plant and infrastructure, which would otherwise have to be taken away from our development, which is what generates new jobs, that is a problem.[61]

105. This was also the view of AFTPS Association of Film Practitioners in Scotland who stated that:

> Scottish Enterprise are very much constrained by their definitions of business development and company development. Most production companies, facilities companies and post-production companies will not fit into their narrow definitions of business growth. The government needs to look at how Scottish Enterprise defines industry growth and allow it to look at different models. This may free Scottish Enterprise to support companies who do not fit their current narrow definitions of business growth. We would welcome more support from Scottish Enterprise, but it is clear that film and television production are not viewed by them as a viable business. To us, attracting a returning television series with a budget of £100 million per year presents a huge economic opportunity. To Scottish Enterprise, this is not seen as a viable business as it would have a limited shelf life of four or five years.[62]

106. In a similar vein, Iain Smith of the British Film Commission told the Committee that:

> The difficulty with Scottish Enterprise, as I perceive it, is its old thinking. It thinks about big companies, permanent employment and stuff like buildings, land and property deals, but such thinking goes against the grain when it comes to the globalised virtual business that we are part of.[63]

107. Equity noted, in written evidence, that it believed Creative Scotland was "making progress against a hostile landscape". However, Equity stated that it had "serious reservations about Scottish Enterprise's interest or ability regarding the Screen Sector". Accordingly, they recommended "reallocating Scottish Enterprise resources to Creative Scotland."[64]

108. The industry perspective on the effectiveness of Scottish Enterprise in supporting the sector chimes with the findings of the SSLG. The SSLG final report to the Committee stated with regard to the role of Scottish Enterprise that:

> The majority of companies in the sector, who do not meet the high growth criteria will look to both Business Gateway for support and access services through SE's online products. However, uptake of this support is low and there is a perception from the sector that, as well as being difficult to understand what is available, many of the products are not specific enough to businesses in the screen sector to be useful. Work currently being undertaken to develop an online portal mapping the support available and the provision of specific business support through the proposed Shared Resource Facility may address some of these concerns.[65]

109. Under the Screen Unit proposal, the additional financial contribution provided by Scottish Enterprise is spread over a number of areas, including

- Co-funding the FOCUS project (250K split between SE and CS)
- Further investment of £150K in film studio support, entrepreneurial leadership and innovation.
- Joint support for international connections (split between SDI and SE £150K)

110. At this stage, it is unclear whether this level of investment will be adequate to support growth within the sector. Furthermore, the Screen Unit Collaborative Proposal explains that:

> Scottish Enterprise will focus support on companies identified as having 'high growth potential'. In addition, they, among others, will support the development of new enterprise support capacity within Creative Scotland, with contributions towards the design of new programmes and potential secondment of staff.

111. The Committee is extremely concerned about the approach set out in the proposal as it doesn't appear to resolve the issues set out above regarding the organisations' lack of understanding of the business needs of the sector. Furthermore, we question whether the additional funding provided by Scottish Enterprise reflects a sufficient commitment to provide a step-up in support for the sector. In summary, the SSLG report identifies a gap in support but the Collaborative Proposal does not identify a solution.

112. At present, Scotland has only a few companies who are eligible to be account managed by Scottish Enterprise or can be considered to have high growth potential. Most of the companies in Scotland tend to be of small to medium size, meaning they will now be account managed by Creative Scotland who have never had responsibility for supporting these companies, don't appear to have the staff and expertise to adequately manage these companies and will be supported by an organisation (SE) which has consistently failed to understand the unique needs of these kinds of organisations.

113. The Committee considers that Scottish Enterprise's support model is unsuited to most screen businesses. However under the new Screen Unit plan, it continues to have a role supporting and growing the largest companies. Moving to an independent screen agency should be able to support all aspects of film and TV without the current constraints that are applied by Scottish Enterprise. The Committee envisages that part of the Scottish Enterprise budget be transferred to the stand-alone agency. These monies require to be allocated to support business development for the screen sector. Until a stand-alone agency is created, we **recommend** that the Cabinet Secretary for Finance, Economy and Fair Work, Derek Mackay MSP, bring forward an interim solution to improve the business support available to the screen sector due to the fundamental

importance of this issue. The Committee also considers that the criteria Scottish Enterprise apply should be amended to allow eligibility for Scottish Enterprise funding to smaller companies in the screen sector.

114. The Committee emphasises the need for experienced business development personnel to be appointed, as Creative Scotland does not currently have this capacity. The Screen Unit proposal includes a boost of £1 million for staffing and overheads but we are yet to see any detailed, concrete plans outlining how resources will be allocated and what positions will be established. The Committee **recommends** that the allocation of resources is clearly established as a matter of urgency

Collaboration with the sector

115. The issue of how the Screen Committee and the Screen Unit would collaborate with the sector was a strong theme to emerge from the evidence. The SSLG report makes reference to the need for the new Screen Unit to prioritise advice from the sector itself. Iain Munro, the Deputy Chief Executive of Creative Scotland, told the Committee that:

> The screen committee, which is a combination of Creative Scotland and the partners with industry representatives, is being built at the moment. The foundation for that is a combination of the partners, plus three representatives from the Creative Scotland Board.[66]

116. Iain Munro also clarified that the Screen Committee would be accountable to the Creative Scotland board and that the partner agencies would be accountable to their individual organisations. He explained that as it was "a relatively new and innovative model" it would "be carefully monitored and kept under review."[67]

117. When the Committee broached the issue of engagement, a number of witnesses raised concerns about the degree to which the Screen Unit would involve the wider industry. For example, Fiona Miller from the Association of Scottish Casting Agents indicated:

> The strategy does not reflect back to me the position of practitioners. I do not hear, see or feel anything in it that represents my experience in the industry. We need to refresh and engage everybody, from the bottom to the top to redo the collaboration proposal.[68]

118. Dr Belle Doyle, from the Association of Film and Television Practitioners Scotland, made a similar point in relation to representation of the sector. She stated:

> There are certain practical considerations about how to talk to an entire industry and how we get people on board in what is a very flexible, freelance industry.

> People are very supportive of the Screen Unit as an idea, but we are concerned about the ideas around representation, accountability and delivery.[69]

119. David Smith, a producer of factual content, made the point that engagement needed to be with the breadth of the industry. He stated:

> The role of industry in the governance structure needs to be given great consideration. At present, the two industry representatives who work in that governance structure are on the scripted side of the business, and I would like to see a role for the non-scripted sphere in the mix.[70]

120. The Committee received a range of evidence that emphasised the need for a breadth of industry experience in the Unit. In particular, television production was widely viewed as core to the functioning of the screen sector in Scotland. Television trains the next generation of producers and technicians and provides regular employment for freelancers both of which are essential to attract big budget incoming productions in both film and TV. Without a healthy indigenous TV industry, Scotland will be unable to attract international productions.

121. A number of the witnesses that the Committee heard evidence from observed that Creative Scotland's screen expertise tended to be in the 'scripted' sector. The unit or agency must involve individuals with an expertise across film and TV, including scripted and non-scripted, factual and drama, indigenous and international productions. The SSLG recognised this situation and stated that "at the heart of any successful screen sector is a lively and vibrant television industry".[71] The SSLG observed that:

> The synergies between television and film production mean that success in both is essential if a screen sector is to develop a base sustainable for the long term. In both areas too many productions come and go leaving nothing behind. There is an opportunity now – and an urgent need - to break that cycle.[72]

122. Similarly, PACT stated in written evidence that:

> Support should be balanced between supporting inward investment and encouraging and facilitating the growth and sustainability of companies based in Scotland. Traditionally support through production funds and via Scottish Enterprise has been skewed towards supporting inward investment rather than companies based in Scotland. Pact would like to see more of a focus on the growth and development of companies and talent based in Scotland.[73]

123. PACT went on to express concern that members of the advisory committee "are drawn from the drama/scripted side of the industry and more focused in their practice on film than television".[74] Clare Kerr, from Mead Kerr, referred to the Danish screen agency and the employment of producers within it for a limited period of time. She explained that this not only brought industry expertise into the

agency, but that it could also be of benefit to producers through the contacts that they developed. She explained:

> On the issue of how the Screen Unit is run, who staffs it and who is committed to it, Denmark has a system whereby industry producers work in its Screen Unit for only three years before they go back to doing what they did before. They get access to international contacts while they are working with the Screen Unit, and they bring those contacts back into the workplace. That is a useful revolving-door model that Scotland could think about adopting. We should use the talent that we have but make sure that there is a fixed term for the job. Further, it might be best to have people from the factual side and the drama side sitting in the Screen Unit to ensure that the work that is being done and the kind of engagement that is being undertaken with the industry is realistic and relevant. Having fixed terms would give people a vested interest in building an industry that they want to go back into rather than staying in a job that is comfortable when the rest of us are living in relatively risky times most of the time.[75]

124. Director Tommy Gormley concurred with the idea of "having practitioners as part and parcel of the unit". He commented:

> That could be done on a rotating basis—people could be conscripted into service for a year or whatever. There is the old saying that those who don't do, teach. The people who do the hard-end jobs are rarely in such positions or listened to, so I think that having people who are at the sharp end seconded to the unit on a rotating basis would be a massively clever idea.[76]

125. When Seetha Kumar chief executive of Creative Skillset gave evidence to the Committee she reflected on the lessons her organisation had learned and how this might apply to the new Screen Unit:

> Reflecting on the changes that my organisation has been through during the past two years—we are just coming out of a bit of a turbulent time—we are entirely industry led and we work with practitioners. Our board is entirely industry led and our councils are entirely practitioner led, so we are always close to the coalface. If there is a way of enabling that within the Screen Unit, it would be incredibly helpful and would enable its success.[77]

126. With regards to appointment of staff, Creative Scotland explained in their letter of 28 March[78] that:

> The process of recruiting a new Executive Director of Screen and Creative Enterprise who will be responsible for leading the Screen Unit is underway. We are looking for someone with the ability to identify and pursue strategic opportunities and secure positive outcomes; the tactical and strategic ability to develop, translate and apply strategy internally and externally; the ability to

> manage complex and sensitive partnerships and command high level respect across public and private sectors.[79]

127. Iain Munro, from Creative Scotland, observed that Creative Scotland already connected with the screen sector on a daily basis and that Creative Scotland was "committed to ensuring that we have industry voices directly involved"[80] in relation to any new policy, fund or initiative related to the sector. With regard to the direct involvement of sector he noted that:

> In terms of direct industry involvement, the SSLG was formed out of the committee's previous recommendations. It is a very good group under the chair, John McCormick. As I mentioned, he is one of three external industry representatives, and he brings that body of representation to the screen committee.[81]

128. Barclay Price also considered the involvement of the sector on the Screen Committee and stated that:

> It is a new model. I am chair and I do not have a great deal of screen experience. The Government is recruiting three new members of the board, all of whom will come from the screen and film sector. Their expertise will be added to the committee. We have had a period when our representation on the board was limited but those new appointments will feed into that.[82]

129. The Committee **recommends** that there must be a significant role for the industry in the Screen Unit and an eventual stand-alone agency. We have been very impressed by the leadership and vision demonstrated by the sector itself and we consider that strong collaboration will be vital for future success. We welcome the continuing engagement of the SSLG until a replacement approach is identified. We **recommend** the new Executive Director agrees a plan of engagement as a matter of priority. We **recommend** serious consideration is given to the idea presented to us about producers working on a short-term basis within the Screen Unit, as is the case in the Danish screen agency, and suggest this as a route for engaging with the sector that should be explored.

Strategy and Funding

130. The SSLG report emphasised the need for a longer-term strategy for the sector which is adequately resourced to support film development, production and distribution.

131. The strategic approach set out in the Screen Unit proposal focuses on maximising opportunities available for the sector by recognising the changing context of the global market and designing the right approach to make the most impact:

> Partners have agreed to use support for increased production, responding to key new global opportunities, to drive company scale and sector growth. The Screen Unit will build appropriate partnerships; develop the right incentives to operate alongside UK tax credits; and support infrastructure, increased skilled crew and enhanced business development to deliver the collaborative strategy.[83]

132. The partner agencies commissioned Olsberg SPI consultants to conduct an economic assessment of the Scottish market, global trends, and the top opportunities for Scotland. The partner agencies then agreed the following key opportunity areas:

- Content (beyond Film) Development and Production in Scotland
- Strategic Partnerships with Content Commissioners
- Inward Investment of both film and High End TV Production
- Boosting Visual Effects and Post-Production companies

133. The Screen Unit proposal includes a number of measures geared toward delivering a step-up in support. These include a commitment to help the sector achieve a 100% increase in production spend by 2022/23, and increase Scottish company growth to boost the number from two to six reaching the UK top 50 (turnover ≥ £10m).[84]

134. Despite this increase in spend, some in the industry questioned whether the targets set out in the proposal are ambitious enough, and highlighted the need for progress to be made quickly if Scotland was to compete with the other areas of the UK. For example, Fiona Miller from the Association of Scottish Casting Agents was of the view that:

> The strategy is not ambitious enough. Five to eight dramas between 2020 and 2023 is not enough. There are more than five to eight dramas at the moment. It is not fast enough.

> Taking 12 months to come up with an action plan is too long, as is taking six months to come up with a business case. Those timescales will make sure that we continue to fall behind.[85]

135. The Committee heard evidence from industry practitioners which expressed scepticism with regard to how the Unit would engage with content commissioners. In particular, with commissioners from international companies. For example, Chris Young of Young Films Foundation said of the strategic partnership ambition that:

> It is difficult to see how that will be delivered. To look at the broader picture, again from the producer's point of view, the Screen Unit will be there as a resource, which I will go to as a way of part-funding a project. How can I be sure that the other co-funders have a commitment to the legacy and long-term strategic investment in Scottish production represented by the Screen Unit? That is a danger, because this is not just about money. How do we incentivise not just BBC Scotland, but Netflix, Amazon or anyone else? Everyone will be aware that Scotland is a place where they are welcome both to fund work and to make it, but how do we ensure that the Screen Unit does not end up simply being the tail of the dog—or, rather, being the dog that is wagged by the tail.[86]

136. Given the suggestion that Scotland has 'fallen behind' and the need to step up support, some witnesses highlighted the need for the vision to set out in more detail how Scotland will distinguish itself from its competitors. For example Professor Schlesinger, from the University of Glasgow, said:

> What is absent from the vision, I think, is any sense of what Scotland is going to specialise in that will give it a particular kind of leverage within the global marketplace. The proposal contains the idea of growing larger companies, but it is not clear what those companies are going to be. In some respects, although I would not dissent from the proposal, the conglomeration in the marketplace is going on at such a pace that even having larger companies would not solve the problem because, five years down the line, everything will have moved on.[87]

137. Chris Young, from the Young Films Foundation, highlighted the importance of having a strategy in the following terms:

> I think that the question that we have to ask ourselves is whether we want to think strategically—the ambition is clearly to do this—about creating an environment in Scotland where, as in other countries such as Denmark and, to some extent, Wales and Northern Ireland, a clear commercial and cultural infrastructure exists indigenously that creates programmes, whether they are on Amazon, Netflix or anything else. That is not happening here.[88]

138. The Cabinet Secretary emphasised that Scottish Government policy was already achieving results as a result of increased funding for screen through Creative Scotland and that the dedicated Screen Unit would build on this position. She stated that:

> The Scottish Government agrees with the committee about the enormous opportunity of screen in both film and television. We have already seen the

> results of our greatly increased focus on screen, with record production spend and significant new interest in Scotland, both from the industry and from tourists coming to visit the locations and explore the stories that they have seen on screen.[89]

139. The Committee acknowledges that there are a wide range of factors which influence the locations which are chosen by production companies. A number of these factors are beyond the control of a Screen Unit. For example, the recent decline in the value of Sterling has resulted in Scotland being a more affordable location for production companies. We also recognise that there are significant infrastructure issues, notably the absence of a purpose built film studio, which reduces Scotland's potential as a screen location.

140. There are range of incentives, including non-financial incentives, which are used by countries and regions around the world to attract screen production in their area. The role of incentives in attracting productions to locations has also been raised in evidence to the Committee. Such support has to be balanced against the importance of supporting indigenous companies. The importance of finance was highlighted by the SSLG and the Scottish Government has announced a substantial increase in funding to support the sector. In addition, public money has supported a number of productions to be made in Scotland recently. The Screen Unit is responsible for supporting the indigenous industry, attracting inward investment and forming strategic partnerships. The Committee recognises the complexity of this challenge.

141. The Committee considers it vital that the Unit's Strategy for the sector set out in clear terms how it intends to compete internationally. However, this should not be done at the expense of the domestic industry and the strategy should make clear how the international and indigenous aspects of the industry will complement one another to ensure the long term sustainability of the sector.

Data

142. According to the Collaborative Proposal for the Screen Unit:

> There is very limited reliable and consistent data on the sector, its value and trends in Scotland. The continuing absence of credible and current evidence on the demographics and skills levels of the workforce has presented particular challenges. The Screen Unit should invest in the technology, skills and capacities to create a 'Big Data' approach.[90]

143. In evidence, the Committee heard that the available data on the performance of the screen sector was notoriously difficult to evaluate. Andrew Barnes from Olsberg SPI, which produced an 'economic baseline' report for the Screen Unit project board, commented with regard to Scottish level data that:

> The overall impression is that there is a lot of data out there, but we are perhaps lacking coherent data—a number of data sets that align and can be used in a single fashion. As you will note from the report that we wrote, we had to put in a range of findings for turnover, gross value added and full-time equivalent employee numbers on the basis that we could not be sure from the data that we would not double count.[91]

144. In its report to the Committee the SSLG recommended that:

> The public sector agencies and broadcasters should work together to coordinate and strengthen the gathering of accurate, reliable and consistent data in Scotland and ensure that it is disseminated widely, informing the development of screen policy in Scotland.

145. The Collaborative Proposal allocates £250K to undertaking research on the available data regarding the performance of the screen sector. Scott Donaldson from Creative Scotland commented on this work that:

> The knowledge and research team has been working with the BFI to understand the nature of the data that the BFI purchases. If memory serves me right, there are nine different sources of data that the BFI purchases. The knowledge and research team is working with the BFI to understand what information specifically about Scotland can be obtained from that data. The team is also working with partners to scope other sources of data that can be made available. We have the resource to do that.[92]

146. Given the integral role data should play in supporting the Unit's decision making, it is troubling at this stage that more hasn't been done to support the Unit's approach to data. If the Screen Unit is to monitor its performance going forward then this must be based on reliable information and we don't feel the resources or expertise are currently in place to deliver this.

147. Creative Scotland, in correspondence with the Committee, noted that the second phase of implementation of the Screen Unit would include "research and scoping for new data hub"[93]. However in evidence to the Committee, Scott Donaldson of Creative Scotland stated that the proposed 'data hub' would consist of "one new member of staff" being added to Creative Scotland's research team. Iain Munro elaborated on the proposal in evidence to the Committee as follows:

> There will be a data hub. Enhanced human resources are part of the plan, but we also have the model across the partnership, which involves our key screen partners, including the BFI. We are trying to understand what the notion of a data hub means and the team is scoping what that might look like, so that we can in due course describe it.[94]

The development of a stand-alone agency

148. In our interim report, the Committee emphasised the need for a vibrant screen sector in Scotland. We considered that this requires a stand-alone agency which is not encumbered by bureaucracy and which is industry led. Our view remains that an autonomous "Screen Scotland" will help nurture, develop and support indigenous talent, deliver more studio capacity, attract major productions, and represent Scotland to the rest of the world. We believe that it is time to accelerate our ambition for screen as a nation and that therefore it is time for action.

149. We also recognised that the establishment of the Screen Unit is already underway and that there is widespread support for its development. We therefore stated that work should continue on the Screen Unit, but plans should be developed for how it can be transformed into a stand-alone agency in the fullness of time. We do not consider that the final destination of a stand-alone agency would detract from the successful establishment of the Screen Unit. Instead, we believe it would provide an exciting and ambitious ultimate goal for Scotland's screen sector.

150. We recognised that to have full autonomy, "Screen Scotland" would require to be an Executive Non Departmental Public Body (NDPB) and that this would need legislation, it might take some time to be set up. We therefore recommended that as a first step, an independent interim board be established to oversee the transformation process. This board should include experts from different sectors within the industry, consult the sector and make full use of the expertise offered by Scots who have made international careers in the screen sector.

151. When Creative Scotland gave evidence to us at the end of our inquiry, Iain Munro made the following response to our interim report:

> We recognise and respect the fact that the call for a separate screen agency is not necessarily new but has been made throughout Creative Scotland's existence.[95]

> The wider response to that recommendation is a matter for the Scottish Government. The way in which Creative Scotland is constituted, is constructed and operates means that we hold the lead responsibility for screen. We are serious about that. We are committed to it and, indeed, we are committed to ensuring that, with our partners and the industry, we implement the Screen Unit delivery plan. That is our focus. That is what the Scottish Government has charged us with doing and we will remain committed to achieving it.[96]

152. Barclay Price, of Creative Scotland, contended that there was a danger of a fragmented approach being taken to the delivery of cultural policy. Referring to other art forms, Mr Price observed:

> I believe that each art form is unique. I once worked for the Scottish Crafts Council, which decided that it should be amalgamated into the Scottish Arts Council. There was a great uproar from the crafts community, which felt that it would lose its special approach. It did not happen at the time, but it did eventually.[97]

> Each art form is unique. You would hear a similar thing from each art form sector. Music spans commercial and cultural and is a huge industry earner. Of course film is special, but each other art form is special and each needs its own specific approach to deliver it for the best. What I have tried to do in my work and as a board member of Creative Scotland is to ensure that the policies that are put in place are not only specific to the art form but have a strategic overview. Film is different, but I think that music is different, and each art form needs to be developed in its own way. My only concern is that it would be a shame for Scotland, which is a small country, if we started to get a fragmentation of agencies all looking at culture. It would make that strategic overview very hard to deliver for the Government.[98]

153. Mr Price suggested that the Screen Unit should be given an opportunity to deliver before a judgement is reached on whether it has succeeded or whether a separate agency is required. Mr Price stated:

> Creative Scotland will—and should—be judged on whether it delivers. It seems to me that if after three, four or five years, the committee and the film sector believe that Creative Scotland has not delivered on the ambition, that would be the time to consider a different arrangement. A new arrangement at this time would be quite disruptive.[99]

154. The Cabinet Secretary was not supportive of the Committee's recommendation and emphasised that a separate agency would require legislation and could incur additional costs. However, the concept of a separate agency was not ruled out in principle but rather the current timing was not considered appropriate by the Cabinet Secretary due to current developments with the Screen Unit. Ms Hyslop said:

> To ensure that we have an effective Screen Unit, do not try to delay it. We cannot afford to do that. That is my real concern, and it has been relayed to me that any attempt by the committee to delay things would be problematic. I am not saying that the unit will never become a stand-alone agency at some point in the future; I am just saying 'Not now'. It is important to give a signal that we are getting behind the Screen Unit. It is not an unreasonable proposal. Not all countries have separate screen agencies. We want to ensure that the Screen Unit can be swift of foot and that it has resources and funding so that it is well established.[100]

155. To have full autonomy, "Screen Scotland" will require to be an Executive Non Departmental Public Body (NDPB). This will need legislation. The Committee understands that the Scottish Government has committed to reducing the number of non-departmental public bodies but we believe that the Screen Sector presents a unique opportunity that could have wide reaching benefits for the Scottish economy. The Committee also notes that a number of new NDPBs have been established recently, such as Revenue Scotland and Social Security Scotland. The Committee considers that the opportunities presented by the screen sector fully justify the establishment of a separate agency.

156. We **recommend** that an independent interim board be established to oversee the transformation process towards a screen agency. This would follow a similar course to the South of Scotland Economic Partnership, which also requires legislation for its establishment but which has an interim board. The screen board should include experts from different sectors within the industry. It should consult the sector and make full use of the expertise offered by Scots who have made international careers in the screen sector.

Infrastructure – the urgent need for studio space

Background

The SSLG report

157. Infrastructure in the form of adequate and adaptable studio provision plays a pivotal role in supporting both the indigenous industry and attracting international productions. The SSLG noted in its report to the Committee that:

> Many production teams come to Scotland, make their film and depart leaving no legacy in terms of contribution to the long-term sustainability of the industry. Improved infrastructure, especially a film studio, is crucial if these individual projects are to contribute to the development of a permanent skills base here in Scotland.[101]

The Screen Unit proposal

158. As part of the objective to boost business development, the Screen Unit proposal includes a commitment to "finalise the business case for studio capacity and secure new space within 12 months."[102] The proposal also commits the enterprise agencies (Scottish Enterprise, Highlands and Islands Enterprise and Business Gateway) to work with the new Screen Unit to encourage private sector-led investment in Studio infrastructure. The proposal also states that:

> The future approach for studio provision in Scotland needs to ensure suitable facilities for both inward film investment, particularly film and high end television, as well as local needs of high growth and scale up companies to maximise screen production activity in Scotland.

> This infrastructure development will also provide a critical drive to the expansion of the post production industry including digital special effects studios which will make a substantial contribution to the value of the screen economy.

> The Screen Unit will play a vital role in this area determining appropriate needs and identifying potential solutions, which could include:
>
> - Establish a studio infrastructure fund
> - Support provision of temporary studio space
> - Provide De Miminis grants to private companies to enhance facilities for location shooting
> - Grow the number of skilled crews
> - Further skills fund investment to support additional 3-4 inward investment productions.[103]

159. In 2013, Scottish Enterprise commissioned a consultancy firm to undertake a detailed appraisal of possible options for the development of a film and production studio in Scotland.[104] The study found evidence of a clear and present opportunity for a studio facility in Scotland, based on strong growth in internationally mobile film and TV production activity. In particular, the extension by the UK Government of tax incentives for mobile production from film into TV and video games was identified as creating a surge of interest from international (mainly US) TV productions. This, combined with on-going growth in demand for filmed content generally, was perceived as driving demand for studio space, currently scarce within the UK and many parts of Europe.

    The report identified significant opportunities in providing facilities for medium to high budget film and high-end TV drama. Currently, Scotland was identified as competing at the lower budget end in both film and TV production and not in the higher growth market, with the notable exception of Outlander. The growth in demand for online content was seen to be putting pressure on studio capacity in the UK and other parts of Europe, with the main purpose-built studios in London widely considered to be expensive.

Existing studio facilities in Scotland

160. There are a range of studio facilities in Scotland, but none of them are a purpose-built space and instead they are repurposed buildings. The Committee visited Wardpark studios in Cumbernauld and Film City Glasgow which respectively use industrial space and a former civic building to provide studio space. Rosie Ellison from Film Edinburgh summarised the challenge that the lack of purpose-built studio space posed :

> In Scotland, we have Wardpark Studios, which is brilliant—thank goodness we have it. Other than that, we have various sheds that get converted for a short time while they are used for a film, after which they are returned to their usual use. If an engineering firm wants to move in and take it on a 10-year lease, it is off the market.[105]

161. This lack of adequate studio provision in Scotland was perceived by many witnesses to have hindered the screen sector's development. Furthermore, as decisions about whether to use a particular location tend to hinge on cost, then the type and availability of infrastructure becomes very important. As repurposing a facility can be time consuming and costly, productions might therefore decide to film only part of a production in Scotland leading to only a minimal benefit to the sector. Location Manager Lloret Dunn explained:

> More and more, productions will come over only for the key locations that they need, because there is no studio. Therefore, instead of us getting an entire production that will automatically result in employment locally and across the whole country, we get only a small amount.[106]



Top to bottom: Members pictured on fact-finding visits to Film City Glasgow; BBC Scotland; and Northern Ireland Screen in Belfast.

162. When the Committee raised the issue of studio capacity in evidence, the overwhelming response from witnesses was one of frustration. Tommy Gormley told the Committee:

> Anything would help. The lack of a studio is crippling, as it was when I first ventured abroad 25 years ago and, despite being discussed endlessly, it is still crippling today.[107]

163. Comhairle nan Eilean Siar provided the example of how production facilities and offices adjacent to Studio Alba had helped to create a cluster of independent media businesses and production companies in Stornoway.

> In 2008 the Comhairle, in partnership with HIE and ERDF, invested in the refurbishment of property adjacent to Studio Alba, which saw the creation of the Creative Industries Media Centre (CIMC). This provides modern bespoke office and production facilities for MG ALBA who sub-let to a range of independent media businesses, external organisations, visiting companies and productions. The colocation of the CIMC, Studio Alba, BBC Radio nan Gaidheal the An Tosgan offices for Gaelic organisations and Isles FM have created a unique cultural cluster of talent which is the largest Gaelic speaking work-place in the world. Use of Studio Alba declined sharply after Machair concluded in 1998, a variety of factors can be attributed to the current under-use of the facility but raising awareness of it as an asset to the Scottish screen sector and persuading production professionals that work is feasible and proven in an island context is key.[108]

The Film Studio Delivery Group

164. Established in 2013, the Film Studio Delivery Group (FSDG), which consists of representatives from the Scottish Government, Creative Scotland and Scottish Enterprise, was given responsibility for identifying potential opportunities for the development of a film studio in Scotland. In written evidence to the Committee, a number of stakeholders raised concerns about the success of the FSDG in delivering increased studio capacity. For example AFTPS stated that:

> Since 2013, while the Film Studio Delivery Group in Scotland continue to hold meetings to talk about developing infrastructure, two other parts of the UK managed to build studios and bring in business. Please also bear in mind that these two sites have also become our direct competitors, along with all the other studios and build spaces across the UK.[109]

> This is why the Scottish film and television industry are frustrated and angry. This is a key leadership issue: having taken responsibility for sorting out this fundamental issue, and one upon which everything else hinges – volume of work, training and skills development of a workforce, retaining skills and key personnel in Scotland, building a dynamic and economically viable industry – this particular group have failed us.[110]

165. When the Committee questioned representatives from the Pentland and Wardpark projects, both were critical of the role the FSDG had played in supporting the delivery of enhanced studio provision in Scotland. For example, Outlander Producer David Brown stated that:

> When I started "Outlander", all that I said to the agencies in Scotland was, "I want you to match Northern Ireland—I want you to prove to Sony and the studios in the States that we are open for business and that we will do what it takes to bring companies in and bring $300 million or $400 million investments into Scotland." Nobody did anything about it. Promises turned to frustration, annoyance and irritation. I will not have those people in the building now, because I do not have the time for it and I do not see them in any way adding to the business or my business. It is about making a decision. We have been talking about it for too long. If it is not a game that the Government wants to be in, it should let us get on with our jobs.[111]

166. In March 2016, the Economy, Energy and Tourism Committee wrote to the Cabinet Secretary for Culture, Europe and External Affairs regarding the work to deliver enhanced studio capacity. The Cabinet Secretary's response acknowledged the industry's frustration but nonetheless emphasised that delivering enhanced studio facilities required the FSDG to navigate through some very complex territory, particularly in regard to State Aid.

167. While the Committee appreciates the complexities surrounding State Aid rules, it is worth noting that a number of other nations and regions have been able to build substantial facilities in the time the FSDG has been deliberating. Tiernan Kelly from Film City Glasgow summarised his frustrations in evidence to the Committee, stating that:

> After today's meeting, you will write to the film studio delivery group or the Scottish Government and ask, "Why can't we do what Manchester is doing?" The Government will say, "Our solicitors have advised us that, due to state aid, we cannot do it." You will then push back and say, "Well, Manchester has done it", and the reply will be, "We cannot comment on the legality of another local authority's actions.[112]

168. Tiernan Kelly explained that Manchester City Council had explored alternative models in order to find a way of developing studio facilities without contravening state aid rules. He attributed this to their strategic visions, explaining that:

> …it wanted Manchester to be Europe's leading digital city by 2020, and it wrapped all the creative industries and their digital presence around that statement. It acquired the Sharp Electronics building and built the Sharp project. It clustered digital companies, technology companies, and film and TV companies.[113]

169. When the Committee asked the Cabinet Secretary for Culture, Europe and External Affairs about the situation in Manchester she stated that:

> In Manchester and other areas, private sector developers have used public assets. The approach relies on private sector developers being interested in taking forward developments. There are issues about what is spent by the public, as opposed to what is invested by the private sector. We cannot do something through investment from the public sector that is in competition with the private sector. That has been a critical factor.[114]

170. Aside from the State Aid issue, Tiernan Kelly questioned whether the FSDG, Creative Scotland and Scottish Enterprise would be able to deliver enhanced studio provision:

> Creative Scotland has been heavily involved, but it does not have a capital budget to speak of, so all that it can do is lobby and be an advocate for a studio. Scottish Enterprise would argue that its remit is not really to invest in speculative projects. Its remit is about growth and not speculation, and it is there to implement policy and not to make it. Has the group been given the right tools to deliver on the task? Clearly it has not. Is that maybe the point? I think that it needs someone pretty senior within Government to take the recommendations and green light the proposal. At the moment, the group does not really have the power to do that.[115]

171. When the Committee took evidence from Creative Scotland on 31 May, Deputy Chief Executive Iain Munro indicated that:

> We are very close to finalising a business case for a studio proposition to be put to ministers. That studio would be in addition to the Wardpark, Pentland and Pyramids business park studios.[116]

Variety and type of facilities

172. The Committee heard about the need for there to be a wide range of facilities that could accommodate a variety of productions of different scale (above and beyond the current provision of facilities available). Amy Morement from LS productions said:

> For me and, I think, many people who submitted evidence, it is not about having a single solution. It is fantastic to have the facilities at Wardpark, which is an excellent beginning, but there should be multiple ventures and multiple studio spaces, either adapted spaces or purpose built studios, and there is room for that.[117]

173. Ms Morement also emphasised the value of congregating the various aspects of the industry into a single space or hub to help support the sharing of ideas, expertise and talent. She observed that:

> Again, some spaces are purely studio spaces, but, for me, this is also about making those creative hubs in Scotland that have the facilities, the training programmes and the studio space in a hub of creativity, if you like, to drive the industry forward.[118]

174. The Committee witnessed first-hand the valuable role that such facilities can play within the sector when we visited Film City Glasgow. The breadth of talent on site and the projects that have come out of this one facility is testament to the talent and creativity of the Scottish industry and also showcases what can be achieved when clusters of different companies sit together in one space. Outwith the creative benefit provided by these hubs, Tiernan Kelly from Film City Glasgow also emphasised the wider commercial opportunities and the role the creative industries will play in the future:

> We are the fastest growing nation or region in the UK for the creative industries. Film and TV are driving that. Why can we not bring those two elements together? By 2025, there will be more creative jobs than science, technology, engineering and mathematics jobs. It is clear that Manchester has grasped that creative industries concept and run with it.[119]

175. The Committee believes lack of progress over at least the last 50 years in developing infrastructure capacity has been a factor in Scotland falling behind other parts of the UK. Lack of available infrastructure greatly diminishes the overall package on offer to international productions and undermines what might be considered an otherwise attractive range of financial incentives.

176. The Committee believe that failure of the Film Studio Delivery Group, which was set up in 2013, demonstrates the weakness of the "multi agency" approach which underpins the Screen Unit and supports the case for a stand-alone agency.

177. Although the Committee welcomes the announcement by Creative Scotland that it is close to finalising a business case for a studio proposition, the Committee believes that there is an urgent need to deliver new infrastructure – not just plans for new infrastructure – within the next six months and it should be a Scottish Government priority to ensure that this happens.

178. The Committee notes the existing clusters of studio capacity around Scotland. Our visits to Wardpark, the BBC and Glasgow Film City confirmed the importance of the cluster in and around Glasgow, and the evidence from *Comhairle nan Eilean Siar* highlighted the potential of Studio Alba in Stornoway. Notwithstanding the need to develop additional studio space, we recommend that the Screen Unit work in partnership with existing clusters while also making the delivery of additional capacity a priority and in the most suitable location.

179. Although the Committee understands the challenges presented by State Aid rules, we consider it unacceptable that while other areas of the UK have developed enhanced studio infrastructure in line with State Aid rules, Scotland has continued to fall behind. While others have approached the demand for studio space imaginatively, Scotland has been overly cautious and nothing has been delivered at the initiative of any of the public sector bodies or agencies involved.

180. The Committee expects the delivery of a studio to be an immediate priority for the new Executive Director of the Screen Unit and wishes to see significant progress towards the delivery of additional studio capacity within the first six months of her appointment. We shall continue to monitor progress on this issue.

Broadcasting – the role of PSB commissioning in supporting Scotland's screen businesses

Background

The SSLG report

181. The SSLG report refers to the synergies which exist between television and film production and notes that success in both areas is essential if there is to be a sustainable base for the screen sector in the future. The report identifies a crucial problem in that "too many productions come and go leaving nothing behind."[120] The SSLG report observes that "life for independent television production companies in Scotland … can be precarious" as "only a limited amount of commissioning is done by broadcasters in Scotland."[121] This section looks specifically at the role of the PSBs and the impact of their commissioning policies on the screen sector in Scotland.

182. The SSLG made the following specific recommendations in relation to the role of broadcasters and their commissioning policies:

- The BBC should develop a five-year strategy to achieve the objective of all the licence fee revenue raised in Scotland being spent in Scotland.
- Ofcom and the broadcasters should undertake to apply a more robust scrutiny of the way in which commissioners and producers are currently applying the criteria by which a programme is defined as Scottish, with an adherence to the spirit, aims and objectives of the quota embedded in the culture of commissioning.
- Broadcasters should not compel any producer to set up a temporary office to satisfy a quota: there should always be a strong business case and commitment to Scotland in any application for public funds should be judged on these criteria.
- All broadcasters should set specific targets for production spend in Scotland: ITV and Channel 5 should make a minimum voluntary commitment of 3% spend in Scotland.
- BBC Scotland should have an enhanced role in commissioning UK network programmes matched by an allocation of the necessary resources.
- The BBC should address the issues of representation and portrayal as recommended by the Audience Council for Scotland.

- A partnership agreement should be drawn up between the BBC and Creative Scotland, setting out how they will work together to invest financially and creatively in developing a competitive screen sector in Scotland.

- Channel 4, Creative Scotland, (and others), should explore a new partnership agreement to develop and strengthen the independent production sector in Scotland to ensure a sustainable hub of UK network suppliers from Scotland.[122]

The Screen Unit proposal

183. The Screen Unit Proposal indicates that the new Screen Unit will take a leadership role in facilitating the "strengthening of relationships between independent producers and local and network content commissioners". This will be achieved through the development of strategic partnerships which support content commissioning growth from across the wider independent Scottish producer base.

184. The Screen Unit will "seek to develop Partnership Agreements for Scotland, initially with public sector broadcasters, to ensure a clear baseline for productions spend." [123] Furthermore, in the "early Screen Unit years", potential wider partnerships with content commissioners, such as Netflix, Amazon, Sky, HBO and ABC, will be explored.

The role of Broadcasters

185. The PSBs, and in particular the BBC, play a central role in supporting the development of content and the industry more generally. However, despite the important role PSBs play in supporting the industry, is the SSLG report recognises the comparatively small number of commissions awarded to Scottish companies contributes to limited domestic growth..

186. Under the 2003 Communications Act and BBC Charter Agreement, Ofcom is responsible for ensuring that a suitable proportion of the productions that PSBs commission for UK-wide television broadcast are made outside of the M25. To help deliver these obligations, Ofcom has imposed quotas on the minimum proportion of eligible hours and expenditure that must be allocated to regional productions.

187. According to Ofcom the regional production requirements are primarily policy interventions aimed at supporting and strengthening the TV production sector and creative economies of the UK's nations and regions. Under the Ofcom guidance, the definition for "regional production" must adhere to two out of the following three criteria:

- The production Company must have a substantive business and production base in the UK outside the M25.

- At least 70% of the production budget (with exceptions) must be spent in the UK outside the M25.

- At least 50% of the production talent by cost must have their usual place of employment in the UK outside the M25.

188. According to Ofcom, the guidance was designed to reflect the dynamic nature of programme-making but the SSLG and the wider industry have consistently raised concerns about the way in which broadcasters apply the quotas. The SSLG report states:

> It is commonly accepted that the criteria can be interpreted loosely and practices introduced that unfairly inflate the figure. This means that the broadcasters can meet the quota, technically, without any sustainable or strategic benefits to the creative economy in Scotland. Under the current definition, 10% of a production budget can be spent in Scotland with 100% being set against the quota, with all the Gross Added Value accruing outside Scotland.[124]

189. In March 2018, Ofcom announced its intention to review the regional production and programming guidance as part of its consultation on the BBC's operating licence. The Committee took the decision, based on its prior work examining the role of PSBs, to hold an evidence session as part of the inquiry to consider commissioning with a view to feeding into Ofcom's review of its guidance. Following the meeting, the Committee agreed to write to Ofcom highlighting a number of issues relevant to the review.[125]

Lift and Shift

190. Under the Memorandum of Understanding (MOU)[126] between the BBC, Scottish Government and Scottish Parliament, the Committee has responsibility for scrutinising the BBC's Annual Report and Accounts.

191. One of the key issues raised by stakeholders during the Committee's consideration of the BBC has been the practice of "lift and shift". This is the term used to describe the practice whereby a production is moved from one area (normally London) to the nations and regions to fulfil an out of London quota.

192. These practices remain controversial because while a production might be viewed as being Scottish under the "regional production" definition, some in the industry have suggested that the information used to meet the criteria is open to manipulation. This suggests that there are instances where companies who can be considered to be genuinely Scottish can lose out on productions (and the benefits they provide) in favour of London-based companies which temporarily relocate staff and their company base in order to satisfy the regional production criteria.

193. In evidence to the Committee, David Strachan from Tern Television Productions provided a useful illustration of how the "lift and shift" process works and the potential impact it can have for Scottish companies:

> As an illustration, a game show might be lifted and shifted up to Scotland; it might run for a number of years and, as David Smith said, it might create some jobs in the genre. Most of the work goes to paying for the plant and the studios that the game show is recorded in; that is of great benefit to the BBC's Pacific Quay, but only a handful of jobs are created in the production company. We can see what happens if a similar amount of money is spent on factual programmes, because, as a company, we are a parallel. At the moment, we have 50 jobs in the office and six of those jobs are about generating new and fresh ideas that represent the culture and people of Scotland.[127]

194. PSBs have argued that these practices can function as a useful means of kick-starting investment in a particular area or boosting existing centres of production, as Steve Carson from the BBC explained in his evidence to the Committee:

> In defence of so-called lift and shift, from my experience in Northern Ireland, when broadcasters were serious about getting spend out of London, they moved specific titles rather than waited several years for a development pipeline. Some titles were moved to Belfast. "Wanted Down Under", for example, consists of 30 episodes a year of a show that is set in Australia and New Zealand but is made in Belfast. I could see the talent that came through the pipeline in my time there. People who started as runners were assistant producers or producers after three or four years. In the early years, the show owners or series producers were so-called fly-ins, but all the network titles ended up being run by local people. A sector was beginning to be built.[128]

195. While the Committee accepts that these practices can, in certain situations, have what is called a wider halo effect, which might be of positive benefit, it is not clear that PSBs have consistently employed these tactics in a strategic manner. On the contrary, the Committee heard that historically these practices have provided a convenient means to meet quotas which has never been adequately reviewed. As producer David Smith explained:

> When the rules first came into play, in about 2009, the BBC undertook a network supply review. That meant that a lot of the opportunity that was apparently present through the quota was met through the lift-and-shift process; large projects that consumed multiple hours—and, in some cases, high value—were moved to Scotland and the other nations and regions to absorb quota. That was meant to be a short-term tactic to build jobs at a certain level in production, but it became over relied upon.[129]

Reporting

196. Notwithstanding the arguments set out above regarding the potential benefit of these practices, several witnesses expressed the view that these quotas can be manipulated. This challenges both the robustness of the data provided and the way in which this information is audited by PSBs and Ofcom.

197. According to the guidance which accompanied the Ofcom consultation[130], the PSBs are responsible for providing accurate data to Ofcom to demonstrate compliance with their licence conditions, including compliance with their respective regional production quotas. If Ofcom were to find that a licensee had breached its licence conditions relating to *regional productions*, Ofcom could consider sanctioning the licensee, including the imposition of a financial penalty.

198. To increase transparency around the regional criteria, Ofcom publishes a '*Made outside London programme titles register*[131], which lists all the programmes made by PSBs which count toward the regional production quotas. It includes information about which criteria the productions met, the producer, and which nation or macro-region they have been assigned to. Although the register is intended to improve transparency, some in the industry have questioned the usefulness and detail of the information provided and the role Ofcom plays in regulating and enforcing the quotas. For example, Producer David Smith commented on this issue that:

> An element of spot checking is needed. A bit more detail should be required on that form—there should be an undertaking by the production company and the broadcaster that their response is legal, decent, honest and true, that it is authentic and that they have met the spirit as well as the letter of the rules. Ofcom should be able to check on that. Ofcom's system is reactive, not proactive. If a complaint is raised, Ofcom investigates. Perhaps that has to change.[132]

199. While Ofcom has an oversight role, PSBs are responsible for liaising with producers to gather information about a particular production. Some in the industry have questioned whether this system of self-regulation is sufficiently robust to discourage manipulation, as David Strachan from Tern Television explained:

> If it happens that production companies are just told that the box has been ticked and the production company tells the BBC that the box has been ticked, it is quite hard for somebody like Anne Bulford to know what is actually happening, because all the information that she is getting through the chain is that the system is working. We have to tell those stories in order to change the system.[133]

200. When the Committee raised this issue with PSBs, witnesses emphasised that they do comply with the current regulations but were nonetheless open to discussing how the process might be improved. Bruce Malcolm from the BBC stated:

> On earlier questions that were asked by the convener, we do comply, both before a production is made and after. If we are asked questions, we take complaints and issues seriously. We look at the returns that production companies make. We audit them when we are asked to do so, and we do our own review of them. We have a lot of knowledge in this area. Returns that are reviewed meet, on most occasions, the criteria that Ofcom has set. Whether the criteria could be tightened, improved or made slightly better is for discussion. I think that they can, but we comply as we are required to comply. That is how the system works.[134]

201. Despite the assurances made by the PSBs regarding their compliance with the Ofcom criteria, Lorraine McKechnie from Channel 4 did concede that the model of self-regulation did rely on there being a degree of trust in the information provided by producers. She observed:

> That is quite a difficult issue to address because, as a publisher/broadcaster, we rely on producers and suppliers for content. We have to take the word of the production company that it has done its own audit of where the crew are from and that it is self-regulating with Ofcom. From a broadcaster's point of view, that is quite a difficult thing to do.[135]

202. Although PSBs acknowledged the issues surrounding trust and self-regulation, they were also keen to stress that that the quotas were delivering on the intended objectives of the regulator and had helped increase production in the nations and regions. For example, Sophie Jones from Channel 4 highlighted the increase in spend in Scotland over the last 10 years:

> The important metric to look at for the effectiveness of the quotas is whether the system as a whole is delivering the objective that we want, which is an increase in economic activity and investment. We are really pleased that, as a result of the combination of the quotas, work that Lorraine McKechnie and the team that is based in Glasgow do and our corporate objectives, we have seen a very significant increase in that over the past 10 years. There has been a fourfold increase in our spend in Scotland. When we publish our figures for 2017, a substantial jump of about 25 per cent in our investment in Scotland will be seen. Taken as a whole, we think that the system seems to be working if we look at the range of companies in which we are investing and the amount of money that supports that.[136]

Ofcom's Substantive base criterion

203. According to Ofcom's made out of London register, a relatively high proportion (93%) of productions reported having a substantive base in the nations and regions. Similar to the concerns raised earlier about the robustness of the information provided, stakeholders have questioned whether the current system for determining whether a production team is substantively based in Scotland is sufficiently robust. As producer David Smith explained:

> What is and what is not a "substantive base"? That is the key question. The BBC is happy to accept that a temporary office with a production executive in it is a substantive base because under the current rules that is allowable. We need to think about what a "substantive base" should be.[137]

204. Given the debate surrounding the definition of substantive base and if this meets the spirit of the quota, stakeholders proposed that either additional information be provided or that the criteria be revaluated. The Committee heard, for example, that the Ofcom guidance should consider what might constitute an adequate length of time for a production team to be based in a particular location for it to be considered substantive

205. It was suggested to the Committee that the substantive base criteria should state clearly what percentage of staff and/or the seniority of staff within a production company are expected to meet the substantive base criterion.

206. One option which might strengthen the criterion would be if the criteria applied more specifically to key post holders within a production company, such as the chief executive officer and chief operating officer - rather than more junior production staff. This view was held on the assumption that senior management are more likely to reside in a location where a company is substantively based due to the core nature of their corporate duties and functions. By way of contrast, other more junior staff within a production company may be expected to be more mobile to respond to the filming location of the company's project work at any particular time.

207. The Scottish tax code was highlighted as a potentially effective means of assessing an individual's substantive base and it was suggested that this would not be particularly onerous information for production companies to provide. David Smith explained:

> At the moment, it seems to be taken to mean anything from where a production executive or a production manager sits to a development executive. I would think that you need to look at where the company's chief executive officer and chief operating officers are based and where they pay tax. The determining factor should be where those key, high-value roles pay tax. If they are based in Scotland, that is a clear indication that the company is Scottish.[138]

On-Screen representation and portrayal of the nations and regions

208. At present representation and portrayal are not specific objectives of the *regional production* requirements. Ofcom have suggested that to do so might negatively impact production companies outside of London by limiting their ability to bid for the widest range of commissions possible rather than making programmes about the areas in where they are based. Similarly, PSBs pointed to the need for there to be editorial freedom and questioned the practicality of regulating for portrayal. Bobby Hain from STV explained:

> Portrayal is a very difficult thing to regulate. We have talked a lot about the composition of production, the people who make the production, the spend and the activity. As I have said, we are a 100 per cent Scotland-focused broadcaster, but I am not aware of any portrayal obligation in our licence or, indeed, in any of the other licences. There has to be a degree of editorial freedom, but there is also a clear expectation that there will be—in the best traditions of public service broadcasting—portrayal, representation, cultural diversity and so on. I do not think that there is portrayal regulation or legislation as such, and it would be very difficult to draft and implement such an instrument.[139]

209. Those in the industry were equally sceptical about how portrayal might be regulated or measured. Donald Campbell from MG ALBA observed:

> I am not sure there is a method that can measure that. People have a wide range of views on portrayal—where it is failing and where it is working. We can point to recent examples such as “Shetland” on the BBC. The BBC is a network, so it is basically allowing people across the UK to experience in their own way what it is like to be somewhere else and to live somewhere else, regardless of the story that underlies that. I am not sure that there is a method that could give us a picture that everyone would agree with.[140]

210. The Committee acknowledges that programmes produced in Scotland have not always culturally represented Scotland, such as Waterloo Road”. David Strachan from Tern Television productions cited “Derry Girls”, as a recent example of how a programme made by a company based outside Northern Ireland, could be rooted in the history and culture of the specific area and have wider commercial appeal:

> After “Derry Girls” was on Channel 4 we suddenly had, in our Northern Ireland office, interest in a subject—the history of the troubles—that we had never had interest in before. There tends to be an assumption that programmes that use regional accents will not travel. “Derry Girls” had a very strong regional accent but it was very attractive to the audience. That surprised the commissioners, so suddenly they are thinking, “Maybe this will work. Who knows?” That could have a knock-on effect on Scotland.[141]

211. The Committee is aware of the work being undertaken by Ofcom in relation to portrayal. This includes Ofcom's ongoing review of the Regional TV Production and Programming Guidance.[142] The Committee was pleased to respond to the review, highlighting the evidence it has received to date on this issue.[143] We also understand that Ofcom is undertaking its first ever "thematic review of representation and portrayal on the BBC".[144] The Committee will be interested to see what recommendations emerge from Ofcom in these work streams later in 2018.

212. The Committee notes that the BBC Director General has already given a commitment to improve representation of the nations and regions. In his letter of 12 May 2016 to the Cabinet Secretary he said the BBC would: "Set 'portrayal' objectives for commissioners so that all areas of network content reflect the lives of audiences across the whole of the UK."[145]

The Role of Commissioners

213. Notwithstanding the policy interventions used by Ofcom to support the industry, it is clear from the discussions the Committee had with producers that the decision-making of commissioners plays a key strategic role in supporting the nations and regions.

214. Written evidence from Comhairle nan Eilean Siar explained the contribution that MG ALBA had made to the media industry built around Gaelic broadcasting. Comhairle nan Eilean Siar provided data indicating that the commissions awarded in 2016-17 by BBC ALBA valued £8.9m, of which 97% went to independent production companies, 30% of which were based in the Outer Hebrides. This contributed £1.7m in direct local investment. An independent economic impact assessment for MG ALBA carried out in 2016 showed that it supported 114 FTE jobs in the Outer Hebrides and Skye. Comhairle nan Eilean Siar argues that investment and the established expertise "have created in the Outer Hebrides what is possibly the best resourced and most professionally skilled media base in Scotland out-with the central-belt."[146]

215. In oral evidence to the Committee, Donald Campbell from BBC ALBA outlined the role commissioners can play in supporting production companies:

> I would add that one of the difficulties that commissioners face is balancing short-term decisions against longer-term decisions that have sectoral impact and sectoral benefit. One thing that BBC Alba has done is to make a long-term agreement with Young Films Foundation on Skye to produce drama. It is a four-year agreement. That kind of agreement gives a measure of certainty to the company and it allows the company to plan, build up its talent base and work with agencies to develop training programmes and talent development programmes in line with the production. The amount of money that we can put at the disposal of the company is not as big as we would like, given budgetary constraints, but being able to make that longer-term commitment to particular projects is essential and it is not really something that is commonly seen in our

> sector, where audience trends are so variable. People are worried that audiences can leave you very quickly and go somewhere else. That measure of trust between broadcaster, commissioner and producer is essential, so that you know, whatever happens to the audience, you might be able to flex direction, flex a storyline or even flex the brand as required. There is a balancing act to be achieved that our sector has probably not yet achieved.[147]

216. The longer term approach adopted by BBC ALBA demonstrates what can be achieved with a more strategic approach, where commissioners provide greater certainty and stability to companies which can lead to wider benefits, for example, to the development of a cluster in a particular geographic area. Comhairle nan Eilean Siar indicated that it would welcome the opportunity to work with the Screen Unit on supporting the screen industry within the local authority area:

> Nurturing development of existing talent and facilities clusters out-with largest cities is key to maximising benefit to all of Scotland. The Comhairle and partners would welcome the opportunity to work with the forthcoming Screen Unit to achieve maximum benefit to this economically fragile area. The decided approach should ensure ongoing conversation and collaboration with all regions is embedded in the activities of the Screen Unit to ensure it has a truly national impact.[148]

217. Another pertinent example is the role certain types of productions can play at the regional level. High end or returning drama series are often sighted as integral to the longer term sustainability of the sector as they offer substantial volume and variety of opportunities for the domestic crew base.

218. Other than River City, Scotland has struggled recently to attract a long-running TV drama. A number of witnesses highlighted the potential benefits a returning drama serious could have for Scotland. For example, Annie Griffin from Pirate Productions stated:

> The biggest game changer for the industry would be a returning drama, or three returning dramas, fostered on the new network and potentially going out on BBC One or BBC Two. Scottish Enterprise could play a great support role in that. Look at what we have in Cumbernauld with all the facilities that are needed for “Outlander”, and look at what we had for “Taggart”. If we had an on-going series that was partially studio based with a returning cast, there would be plenty opportunities to invest in its support.[149]

Geography and decision-making

219. Frustrations surrounding a lack of a returning drama series in Scotland have led some in the industry to question whether commissioners based in Scotland have the requisite powers to autonomously green-light projects. Furthermore there is a perception that the commissioning process is too London-centric and leaves the nations and regions at severe disadvantage, as Lorne Boswell from Equity stated:

> The industry is London-centric. That is a statement of fact. It is in everybody's interest that we do as much as we can to regear that and ensure that Scotland has as much autonomy as we can get. Having a powerful, independent Screen Unit—I sense that the Screen Unit will be more powerful than Scottish Screen was—is a big step towards achieving that.[150]

220. The Director General of the BBC, Tony Hall, indicated in his letter to the Cabinet Secretary for Culture, Tourism and External Affairs of 12 May 2016 that there would be a commissioning editor for drama in all four nations.[151] In his letter, he referred to the BBC's commitment to improving how it represents and portrays the different nations of the UK and he identified fiction genres (most notably in drama but also comedy) as being the area were most progress was needed. He stated that "to achieve this, we are committing to have a drama commissioning editor responsible for each Nation, reporting to the overall Controller of BBC Drama Commissioning."[152]

221. The PSBs renewed focus on the nations and regions via, for example, the new BBC channel provides a fantastic opportunity to address the geographical inconsistencies apparent in the commissioning process. However, the Committee remains concerned that without a concerted effort on the part of the PSBs to ensure that decision making genuinely sits at the national level then we will not see the kind of strategic decision making the industry so desperately needs. Annie Griffin form Pirate Productions recounted a meeting with a senior member of the BBC with regard to a greater decentralisation of decision making:

> I asked him point blank whether the BBC can greenlight something in Scotland and he laughed. He said, "No, but the great thing is that, now we've got a person, there is communication between the London head and the Scottish head". It was unbelievably patronising.[153]

222. Based on the evidence the Committee has heard, there appears to be some confusion as to the level of autonomy and independence Scottish based commissioners have. When the Committee asked the BBC about the perceived lack of decision making at the national and regional level, Steve Carson from the BBC stated that:

> There is a network drama commissioner—Gaynor Holmes, in Glasgow—with whom we work closely. She and Liz Kilgarriff have daily direct contact with the

> head of drama, Piers Wenger, and the final tick in the system comes from the channel controller.[154]

223. However, others within the industry contend that the actual decision making process still requires sign off from more senior colleagues based in London, as Lorne Boswell from Equity explains:

> If you get representatives from the BBC in front of the committee again, you should ask them what commissions the drama commissioner can make. The answer will be that they can do nothing—they are entirely dependent on someone in London to greenlight a project. It is like a series of parallel gates: you have to get through the first gate in Scotland and then, if your idea is still current, vibrant and alive, you have to hope for the other gate to open so that you can go through. However, the chances are that something will happen in between and the second gate will never open. There is a real logjam in commissioning.[155]

The future role of PSBs in Scotland

224. In addition to calling for all of the licence fee revenue raised in Scotland to be spent in Scotland, the SSLG also stated:

> A stronger commitment and greater investment from the BBC is essential to drive the development of television production in Scotland. 55% of the licence fee revenue raised in Scotland is spent in Scotland compared with 95% in Wales (not including licence fee investment in S4C) and 75% in Northern Ireland. The industry would be transformed if this deficit, equal to some £140m, were invested in work in Scotland.[156]

225. Despite the concerns raised earlier about the role PSBs have played in Scotland to date, some witnesses expressed optimism about recent developments. The new BBC channel for Scotland and Channel 4's enhanced offering in Scotland has led many in the industry to be more optimistic about the role PSBs could play in supporting growth in the sector in the future.

226. In February 2017, the BBC set out its plans for a new BBC channel for Scotland which, among other things, would have an annual budget of £30m, an integrated hour-long news programme, and 80 new posts for journalists. Steve Carson from the BBC provided an overview of the new channel in his evidence to the Committee:

> Put simply, the channel is a way of improving our offer to audiences in Scotland, in conjunction with our other services, bearing in mind that we also have a responsibility for radio and digital; BBC One Scotland would remain a key service for us. The investment will create 900 hours of original content. That is going to make a big impact and provide Scottish audiences with a range of different genres, including the hour-long news service and what that can bring.

> We are already commissioning some serious factual pieces and we are close, I hope, to doing some co-funded drama, comedy and factual pieces as well.[157]

227. In his letter of 12 May 2016, the Director General of the BBC referred to the BBC's strategic partnership with Northern Ireland Screen and its strategic relationship with the Welsh Government. He committed to:

> Agree new partnerships with the lead creative sector agencies in Scotland and Wales that match the partnership we have with Northern Ireland Screen, which we will shortly renew. These partnerships will build on the licence fee investment we are making and help support the creative industries in each Nation.[158]

228. With specific respect to the progress made, in Scotland, at that point in 2016 he stated:

> We are well progressed in our ambition to expand our partnership with Creative Scotland, Scottish Enterprise and independent producers in Scotland to develop a shared plan to create the conditions for exceptional television drama made in Scotland. Our aim is to have an industry partnership in Scotland, covering television and film, which can bring real benefit to the BBC and the independent sector.[159]

229. The Committee is encouraged by the progress made by the BBC to improve its offering in Scotland but recognises witnesses concerns about whether the annual £30m budget for the channel is substantial enough to fund the kind of productions which might better support the indigenous sector such as returning or high end drama. This is particularly the case in light of the cost identified by the BBC of Nations and Regions drama which ranges from £30,000 to £450,000 per hour.[160]

230. The Committee also took evidence on the regional production quotas and how they are operating in practice. It was highlighted to the Committee that ITV does not have any quotas for making productions in the nations and it has undergone a process of significant corporate restructuring since the existing guidance was introduced. This approach to regulation is the exception, not the norm, as both the BBC and Channel Four have nations quotas set by Ofcom. It was suggested to the Committee that this development has resulted in a level of regional production in Scotland below what might otherwise have been expected when the guidance was introduced. For this reason, it was suggested that it may be helpful for the sector in Scotland if Ofcom were to introduce quotas for ITV.[161]

231. In addition to the new channel for Scotland, the Committee understands that discussions between the Screen Unit and the BBC are ongoing to develop a Memorandum of Understanding. The Committee is yet to see the content of these proposals but Steve Carson from the BBC explained the potential benefits of these arrangements and the impact of additional funding:

> We are talking to Creative Scotland and working towards a memorandum of understanding. We are keen to engage with the Screen Unit when it starts. From an economic activity point of view, there is very strong momentum, with an agency that is focused on broadcast, the investment of £40 million—including nearly £20 million for potential new channels, subject to what the regulator says—that the BBC has been putting into Scotland, the multiplier effect of the money that the Screen Unit will put into the sector, as well as what a host of broadcasters are doing. Having come into the sector comparatively recently, I have found that there is a strong range of suppliers here who now have experience of working locally and networking across all the genres. The money—if it is properly deployed—is coming at exactly the right time.[162]

232. This development with the BBC comes at a time when other PSBs are making their own plans to enhance their offering in the nations and regions. For example, Sophie Jones from Channel 4 outlined their plans for Creative Hubs and a new nations and regions plan:

> There will be three hubs, and there will be a pitch process to identify them, which we will publish in the coming weeks. The hubs will, for the first time, put real creative decision-making power into the nations and regions, which is a significant step. We have discussed that subject before in this forum and elsewhere. That will mark a significant shift not only for Channel 4 but in the weight of commissioning power across all UK broadcasting commissioning, and we are absolutely determined that that new structure will help to catalyse and underpin the growth in commissioning expenditure.

> Alongside that, we are working to the objective that the new nations and regions plan that we have developed outside of what the quotas are there to do formally will also help us to deliver to our diversity remit and regional and national diversity within that by ensuring that more programmes contain a more diverse range of viewpoints and people from across the country. Programmes that are commissioned from a particular location will often strongly represent that location, but we also want the creative flexibility to say that, if something is made in Scotland, what will go on screen will not necessarily have to be deeply Scottish. Equally, we want our programming to reflect the diversity of the UK wherever it is made.[163]

233. The Committee also wrote to Channel 4 in support of the Glasgow bid to be the location for Channel 4's new national headquarters.[164]

234. When the Cabinet Secretary gave evidence to the Committee she emphasised the interaction between the Screen Unit and PSBs. She stated that:

> We will have a new BBC channel and higher network spend, Channel 4 will be spending more in the nations and regions and making a decision about where its new hubs and national headquarters will be based, and the effects of increased public sector spend on development, productions and business

growth, as well as on skills, will start to bear fruit. Therefore, it is important that we let the Screen Unit establish itself and get on with delivering for the screen industry.[165]

235. The Committee has heard considerable concern expressed by the sector, both in the context of this inquiry and the Committee's wider scrutiny of the BBC and Ofcom, about the impact of the commissioning policy of the Public Sector Broadcasters on the screen sector in Scotland. The Committee agrees with the SSLG that increasing PSB commissioning will help build skills and capacity in the sector and this is essential to attract work from other sources, in particular international screen productions.

236. A particular focus of concern is the practice of "lift and shift" whereby a production is moved from one location to another in order to fulfil out of London quotas. Despite some suggestions that these practices have brought productions to Scotland, the Committee remains sceptical that this approach has resulted in sustainable and strategic benefits to the screen sector in Scotland.

237. The Committee shares the sector's concerns that there is a need for more robust out-of-London and Nations production quotas and we welcome Ofcom's review of the guidance.

238. The Committee **recommends** that reporting of what makes a Scottish production is made more robust and that checks on accuracy of the information provided is tightened.

239. The Committee has concerns around the practice of 'lift and shift' and **recommends** the definition of a Scottish production be improved and this should include the definition of 'substantive base'.

240. We **recommend** consideration should also be given by Ofcom to a nations quota for ITV as this is currently applied to the BBC and Channel Four.

241. The BBC has a particular responsibility to the creative industries in Scotland and we welcome the recognition of this in its charter. The Committee wants to see a substantial increase in the proportion of license fee revenues spent in Scotland.

242. The Committee welcomes the proposed new Scotland BBC channel but notes the concerns of the sector that the funding allocated to it will not be sufficient to meet expectations on quality, particularly in the important area of drama. We expect the BBC to keep the Committee informed as to how it will address these concerns.

243. While the Committee welcomes the new channel, we also consider that Scottish content should feature strongly across the whole BBC network. Given the concerns raised about the role of commissioners and the lack of

decision making power in Scotland, the Committee calls on the PSBs to set out how their approach to commissioning supports the screen industry in Scotland.

244. The Committee welcomes plans for an MOU between the Screen Unit and the BBC but is concerned at the time it is taking to achieve given that the Director General made the commitment in 2016. The Committee considers that the MOU between the Screen Unit and the BBC should reference how both will work together to support up-and-coming talent and support the development of ideas. The Committee expects the two organisations to complete the MOU within six months.

245. The Committee encourages the Screen Unit to set out as a soon as possible how it hopes to achieve its commitment to reach agreements with digital content providers, such as Netflix and others, who will play a defining role in the future of the industry.

246. The Committee welcomes the work currently being carried out by Ofcom on representation and portrayal of the nations and will scrutinise any recommendations relating to representation and portrayal in more detail at a later date.

Getting the basics right – funding, training, data and audiences

Funding

Background

247. The SSLG report identified that there "is a need for an increase in appropriate, targeted funding and investment across all areas; a strong belief that the current model of public funding and support is not effective and that other models of intervention need to be explored."

248. The Screen Unit proposal sets out the ambition of the partner agencies to "help double production spend by 2022-23; and increase Scottish company growth to boost the number from two to six reaching the UK top 50 (turnover over £10m). The proposal also sets out the case for investing in the screen sector as it brings:

- **Scaleability** – as this proposal highlights the sector is experiencing a period of considerable opportunity and growth potential
- **Direct benefits** – whilst TV production and related activities are predominantly Glasgow-based, film production, facilities and post-production are distributed around the country. These give a distribution of high value, skilled roles, both directly and in the supply chain, boosting inclusive growth.
- **Enhanced cultural expression** – high quality and diverse film and TV programming drawing on Scottish culture, history and experiences.
- **International influence** – A ready world stage for promoting Scotland's culture and international image
- **Indirect benefits** – Scottish Government report a direct correlation between participation in culture and improved health
- **Wider benefits** - Increased tourism and visitor numbers to attractions featured in productions.[166]

249. When the Committee considered the Scottish Government Budget 2018-19 it welcomed the additional funding of £10 million for the Screen Unit and we re-iterate that welcome in this report and consider that public funding for the sector is now sufficient to meet the ambition set by the SSLG. The Scottish Government explained that these monies would:

> …strengthen support for our film and TV sector to drive its growth by creating a dedicated Screen Unit within Creative Scotland, including the provision of an

> additional £10 million of funding to bring screen development, production and growth funding to £20 million.[167]

250. The Screen Unit proposal indicates that "in headline terms", investment from the partners is the following:

- Creative Scotland – just over £10m p.a.
- Scottish Funding Council – over £25m p.a.
- Skills Development Scotland – over £1m p.a.
- Scottish Enterprise, Highlands and Islands Enterprise, and Scottish Development International – around £1m p.a.[168]

251. The Screen Unit proposal explains how this funding will be spent:

> Broadly, £20m will see nearly £12m invested in different types of content development and production support; £3.85m to support audiences and exhibition; £1m for skills and talent development; and £2m in the first year on business development and infrastructure. … Creative Scotland estimates around £1m p.a. extra investment is needed in additional staffing and around £250k to support the new data capacity.

252. In her letter of 28 March to the Committee, the Chief Executive of Creative Scotland indicated that in the first stage of the implementation period for the Screen Unit (May 2018), the key deliverables included "all new funds in place including the enhanced Production Growth Fund (£2m) and Content Development and Production Fund (£3m)."[169]

253. The Screen Unit proposal also indicated that the partner agencies had:

> …agreed to use support for increased production and infrastructure, responding to key new global opportunities, to drive company scale and sector growth. The Screen Unit will balance support to enable growth of the existing Scottish production sector, maximise new opportunities and increase inward investment. The Screen Unit will build appropriate partnerships; develop the right incentives to operate alongside UK tax credits; and support infrastructure, increased skilled crew and enhanced business development.[170]

Supporting ideas and taking risks

254. The Screen Unit Proposal identified that Intellectual Property (IP) could be enhanced by growing drama production by Scotland-based companies. It stated that this "would mean high-value content creation, with IP rights developed in Scotland and the benefit of the resulting downstream revenues."[171] David Smith made the case in evidence for the importance of nurturing intellectual property:

> Intellectual property—the ownership of ideas—is vital; it is the mechanism of production. Regardless of the sphere that you are in—scripted or non-scripted—if you own the IP, you have the levers of power. Currently, we do not have the levers of power.[172]

255. Sajid Quayum from Caledonia TV explained the role the development of ideas plays within his organisation as being "the life-blood of any television company is developing a lot of ideas at the same time and keeping relationships going with commissioning editors".[173] Mr Quayam went on to highlight the support his organisation received previously, in the form of the creative industries development programme and the how this had been of benefit. He commented:

> There was a scheme called the creative industries development programme in the early 2000s from which we received match funding towards getting a development individual, who happened to be based in London. The flexibility of being able to do that was really useful. Our turnover trebled within 18 months to more than £1 million and we were able to work across network productions. That allowed our staff to go down to London and get experience in working on formatted and featured programming and develop in a way that would not have been possible otherwise.[174]

256. While schemes such as the creative industries development programme have been of real benefit, it is important to recognise that the support for IP carries with it a high degree of risk. Giving companies the space to create ideas while simultaneously working on other ideas provides a welcome degree of stability but this does not guarantee those ideas will be successful.

257. If the Screen Unit is to produce the kind of "step up" in support that the Screen Unit Proposal considers to be necessary, then these risks need to be weighed against the longer term benefits for the sector. A greater emphasis on the support for IP over the longer term either financially or through some other strategy would create a solid foundation for the indigenous sector well into the future.

258. Similarly, public intervention could play a greater role in supporting the development of content at an earlier stage. Naysun Alae-Carew from Blazing Griffin commented in this regard that:

> Allowing people who are first-time producers and directors to move from making purely cultural output, such as short films that have no commercial value, to making something that might have commercial value. That is the riskiest part, that is when the market does not want to invest money and that is where the role of the state can be really meaningful. It is not a lot of money; as you heard from Grant, it might be an investment of between £1,000 and £100,000 for something that, in a lot of ways, can make an industry.[175]

259. Although the Screen Unit will play a central role in providing greater support in these areas, some of the responsibility for the development of indigenous ideas and content has to also sit with the PSBs and, in particular the BBC. Arabella Page Croft from Black Camel suggested that:

> It would be great to see some risk taking from BBC Scotland. I often look at the Swedes and the Danes and think that, in Scotland, we should be doing what they are doing. Years before "The Killing", "Borgen", "The Bridge", "The Legacy" and the other fantastic series that have created Nordic noir, those countries were still making drama and learning how to do it. They became really good at it before those programmes broke on to the international stage. With our new channel, we have a shot to attempt to make some drama, and to get really good at it here with our indigenous companies. I would like BBC Scotland and the Screen Unit to champion that and focus on our indigenous companies.[176]

Business development support

260. Although IP and support for the development of new content is vital, this needs to be accompanied by the right commercial support. Unlike other more conventional types of businesses, companies operating within the screen industry are reliant on highly competitive and often sporadic sources of income. Given the unique challenges the industry presents for companies it is essential that the Screen Unit provide business development support which is data led, responsive and tailored across multiple markets.

261. In evidence, the Committee heard that public interventions need to be tailored to the varying needs of a diverse range of service users who operate in a highly competitive marketplace. This was summed up by Naysun Alae-Carew:

> We refer to the film and TV industry, but that is actually a whole bunch of different industries and markets that all need different types of support: we do not all need the same products.[177]

262. Up to now the responsibility for providing business support to the industry has sat with Scottish Enterprise. As we have already made clear in this report, the Committee has serious concerns about the role Scottish Enterprise has played in supporting the industry to date.

263. The Committee understands that under the Screen Unit proposals business development support for all but the very largest companies will now sit with Creative Scotland. Action 10 of the collaborative proposal states that the Unit will:

> Develop specialist business development support for the wide base of screen companies, ensuring advice and support around better rights management and exploitation; and strengthening connections to commissioners and investors.[178]

Accessing support

264. Naysun Alae-Carew explained how accessing support in such a fragmented landscape can be challenging for organisations, particularly those with a small number of staff:

> I can see how it is a hindrance for our fellow producers, because it takes a lot of capacity to have all those relationships and to figure out all the different ways that one should be presenting oneself. The way to present for equity investment in a company as a whole is completely different from the way to present a package of intellectual property for development support. For a two-person to five-person company, that is a huge burden.[179]

265. As Mr Alae-Carew points out, this fragmentation can place a serious burden on smaller organisations and this emphasises the need for support to be provided centrally and in joined up way. This joined up approach reflects the interconnected nature of the industry and it is important the Screen Unit be cognisant of this when designing its approach to support. Dr Franklin from Goldsmiths' Institute for Creative and Cultural Entrepreneurship explained:

> We have discussed the overview of the unit. All the things that it sets out are correct and important and they all matter, but the devil will be in the detail and how they are linked up, because they all knock on to one other. For example, funding needs to be accessible for the different aspects of the business, which include technology, creative intellectual property and skills and training. All those things need to be thought through and supported within a one-stop shop that has the capacity to deal with that.[180]

266. Grant McPhee of Tartan Features told the Committee:

> Our funding levels, which are between about £1,000 and £100,000 are exceptionally low. Because these levels are so small, we have been able to create the films ourselves, but the problem that I face is getting funding from Creative Scotland…

> There are many people in the industry who have the talent, who have created films and who need funding, but who also face the problem that I had, which was filling in the forms that are required by Creative Scotland.[181]

267. Action 8 of the Collaborative Proposal talks about building new enterprise support capacity within Creative Scotland to ensure 'one front door' access to services. This is welcomed but this "one front door" approach must be mindful of the burden applying for support places on smaller companies and individuals

268. Key to this "one front door" approach will be the design of a web portal, discussed earlier in this report, which centralises all the Unit's services in one place. Ian Munro from Creative Scotland commented on the development of the portal that:

> That is in very much train. It will be part of the moment when the executive director post is announced and there is a launch of the Screen Unit. Phase 1 of the build of the website that will act as the single front door is in place. In phase 2, we are working to populate the website and ensure clarity of content and access through a single front door to joined-up partners behind it.[182]

Industry engagement

269. Any support needs to be tailored to the present and future needs of the industry and this requires there to be a clear dialogue between the service user and the partner agencies. As Arabella Page Croft from Black Camel productions stated:

> At this point, when we are growing our companies from the ground up, we need a Screen Unit that really gets under the skin of the whole industry and begins to know it.[183]

> The great thing about Scotland is that we are not a big country, so it will not be difficult for the people who will run the new Screen Unit to have a very clear sense of who is at the entry level, who is at the mid-level and who the potential big players are.[184]

270. Although the Committee appreciates that this dialogue already takes place between partner agencies and stakeholders, the Committee would like to see a more robust and responsive approach to business development support which better supports the individual needs of a wider number of companies.

271. Linked to the issue of industry engagement is the need for the Screen Unit to take into account the way in which the sector is evolving so that services anticipate the future needs of the industry. Dr Franklin outlined the kind of areas which will become more relevant to the industry in the future:

> There is increasing innovation in things such as virtual reality, augmented reality and the development of cross-platform application of technology—for example, using a games engine and motion capture technology to use in games, live stage shows and feature films. Those businesses—more of which will, I hope, be developed in Scotland around studios and larger company investment—will need to be supported in the easiest or most accessible way possible.[185]

Support for larger companies

272. Under the Screen Unit proposals Scottish Enterprise would continue to account manage those companies who demonstrate high growth potential. Notwithstanding the criticisms levied at Scottish Enterprise, some of the witnesses did consider that Scottish Enterprise's expertise could be utilised to support larger companies. Naysun Alae-Carew from Blazing Griffin pointed out:

> Looking ahead, we can make use of Scottish Enterprise's expertise at the higher end when it comes to mergers and acquisitions, and facilitating and sourcing foreign direct investment in media companies and joint ventures.[186]

Attracting inward investment

273. The Screen Unit Proposal identified the opportunity to increase inward investment, "subject to sufficient studio capacity and growth". Olsberg SPI identified "the potential to increase inward investment production spend by an additional £35 - £50m by year five."[187]

274. Parallel to the support required at the domestic level is the need for Scotland to have a competitive package of support which attracts inward investment and larger scale international productions. In addition to the important role enhanced studio provision will play in developing Scotland's "offering", a number of witnesses emphasised the important role other incentives play.

275. Dr Franklin provided a useful overview, explaining how decisions about where to shoot a production are almost exclusively predicated on the underlying cost of production:

> For a producer, it is a question of looking through all the potential options, and that holds for services such as post-production, post-deals and what have you. I could make a film in three locations, get some money from a certain European production and it will be a UK co-production or something like that. I run through all the possible incentives, one of which is how much money I can get as part of soft equity from the public funder and what that means in terms of hiring local crew and so on. Another aspect is whether, linked to that, there are fantastic facilities and a post-deal that is going to put some equity into the film as well and, in effect, make it a cheaper shoot.[188]

276. Similarly, Annie Griffin from Pirate Productions described the kind of approach other countries are taking:

> It is a competitive market. A few weeks ago, there was a consultation meeting to get input on one of the funds. A producer made the point that it has become a very competitive environment for high-end drama, for example. People around Europe, including in Ireland, are saying, "Come and shoot here, Australia, and we'll give you these breaks." The funds that are set up need to recognise that situation.[189]

277. In evidence, Andrew Barnes of Olsberg SPI observed that other jurisdictions could be very robust in the systems that they used to ensure where spend takes place. He provided an example from one of the Canadian provinces:

> We also know from conversations with producers in Ontario that the volume of checking that is required has led to a lag in how long it takes them to get their funding back from the provincial tax credit system.

> That all speaks to systems that are robust, that take a lot of care in how the money is returned to productions that have availed themselves of tax credit systems and other selective funding systems and where producers tend to see putting in place that audit requirement as a cost of doing business.[190]

278. In addition to the package of incentives on offer at the international level, a number of witnesses talked about the need for Scotland to be more proactive when it comes to identifying and securing opportunities internationally. Although the Committee recognises the screen team within Creative Scotland already works to "sell" Scotland internationally some witnesses considered that more could be done to scope potential opportunities. For example, Arabella Page Croft explained:

> I have just come back from MIPTV, which is the international market where all the buyers and distributors go to sell, to find a co-financing market and to meet everybody. There is a big desire for Scottish products. Scotland is seen globally as a wonderful place to live. Edinburgh is an exciting city, and people love Glasgow and the Highlands. We need to sell to the world everything that we have as a nation in our dramas. People want to partner with Scottish producers and do business with us in Scotland, so we need a bit more investment and to keep that investment coming.[191]

279. Despite the obvious benefits that could be accrued from a greater focus on inward investment, witnesses were also keen to stress that a balance needed to be struck between supporting investment and providing wider opportunities to the indigenous screen sector. For example, where public money is used to support a production what kind of criteria should be used to ensure that on the one hand it attracts productions but also ensures that productions spend a certain amount in Scotland, for example by using a certain proportion of Scottish crew or trainees.

280. A recent example of the use of public money from Creative Scotland to support a major production was Netflix's Outlaw King. Neil Cairns, production accountant on Outlaw King explained the funding arrangements in his evidence to the Committee:

> Some conditions were attached to the funding. For example, a minimum spend condition was attached, but we were always going to hit that. Creative Scotland simply requested a 5:1 spend to investment ratio. For example, for an investment of £500,000, you would need to prove that you have spent at least

> £2.5 million in Scotland. That spend is broadly defined—not in relation to Scottish crew or facilities, but in relation to hotels, per diems and various other things.[192]

281. Despite these conditions some in the industry have questioned the wider value the production brought to Scotland. For example Fiona Miller, from the Association of Scottish Casting Agents stated that:

> If you are given public sector money, 25 per cent or 50 per cent of the companies that you use must be local. Netflix's "Outlaw King", which was made by Sigma Films, came to Scotland and brought £100 million of investment. The three casting agencies that are represented here today went to see the second assistant director and he said, "I'll decide who I use—I'll be using somebody from London." We worked out that that was a loss to Scotland's casting agencies of £100,000 of investment, but there was nothing that we could do and nobody who we could go to.[193]

282. Despite these concerns, Mr Cairns considered the investment to have longer terms benefits by highlighting Scotland was an attractive place to film which could secure repeat inward investment:

> In reality, the £1 million funding for "Outlaw King" would not have made any difference to Netflix—it was going to make that film anyway, but the availability of funding might make it return to Scotland. Netflix looks at the bottom line. It considers how much a film would cost and then it takes into account all the tax credits and any public sector investment that it could get. Those elements are vital to the company.[194]

283. The Committee welcomes the increased funding of £10m from Scottish Government to Creative Scotland to support the new Screen Unit. The Committee considers that this will have the potential to support significant new investment in the screen sector in Scotland and we believe a substantial proportion of this money should go towards supporting production.

284. The Committee heard compelling evidence about the ownership of ideas and its key role in bringing economic benefit back to Scotland. The Committee welcomes the support for new content development, as we consider the fostering of new original ideas is central to the growth of the indigenous sector. The Committee therefore encourages the Screen Unit to consider how it might provide greater support for the development of ideas and new content. The Committee will continue to monitor the funding's effectiveness.

285. Inward investment and attracting productions to Scotland will be central to growing the sector. The Committee would like to see a coherent strategy for how the Screen Unit will attract productions and investment and how it intends to sell Scotland on the international stage and identify opportunities.

286. Despite the importance of inward investment, the Committee believes that any public support which is used to attract productions to Scotland should be accompanied by a robust set of criteria which ensures that it provides wider benefits for the creative industries in Scotland.

287. The Committee believes that Scotland provides unique location opportunities. We acknowledge that the Screen Unit proposal also focuses on the need to sell Scotland on the international stage. The Committee seeks assurances that the Screen Unit has the capacity to meet this ambition and that they have a strategy that can compete internationally. Given the increasing role of digital content providers, the Committee would like to see a greater focus on how the Screen Unit will work with the industry.

Training

Background

288. Throughout the inquiry the Committee has heard about the importance of ensuring that skills and training adequately complement the current and future needs of the industry. This includes having the right skills base in terms of volume and expertise and an understanding that if Scotland is to be competitive then skills need to keep pace with changes in the industry. The SSLG report described the challenges related to skills and training in the following terms:

> An exceptionally wide diversity of specialisms is required for the sector, demanding an equally wide provision of skills and talent development. In addition, technology is changing rapidly, necessitating constant up-skilling in all technology-related roles. It is also disrupting business models for producers and distributors, demanding new approaches and new skills in response.[195]

Strategy

289. The SSLG report recognised the challenges of developing a strategy for skills and training:

> These industries, however, present an especially challenging context for skills and talent development, for a wide range of reasons: several public agencies have overlapping responsibilities for skills and talent development in Scotland;

> the agencies are not well co-ordinated; and the policy context is changing significantly.[196]

290. The Committee understands that partner agencies are in the process of conducting a review of skills and training within the industry to help inform future decision making. The Committee looks forward to the findings of this review and asked witnesses what they thought the reviews priorities should be. The overwhelming response from those we heard from was that although there are fantastic projects being carried out to support skills and training, these tend to operate in isolation and are not supported by an overarching strategy for the sector. As Linda Fraser from Hit the Ground Running observed:

> I would like the priority to be starting at the start, because what we lack in Scotland for our sector is a basic strategy from which we can get our ducks in a row, line up the chain of provision that currently exists and fill any gaps. We have some great initiatives that work really well, but we are not connected and the funding is not connected.[197]

291. Ms Fraser went on to explain the role the Screen Unit could play in centralising funding under an overarching strategy:

> My aspiration for the Screen Unit is that it will be all down to the strategy, which has to come first. There are various different funding pots from Creative Skillset, Creative Scotland and Skills Development Scotland, and the apprenticeship levy is also coming. It would be great to have a skills strategy and then look at the funding sources and perhaps pool them, or find a way of ensuring that each level of intervention is covered and supported. It is easy to ask for more money, more money, more money, but my observation is that we could be working a lot more strategically to ensure that there is no duplication of provision and that instead we have everything covered.[198]

292. As stated previously, the SSLG report refers to the overlapping nature of the industry and the transferability of skills across formats and genres. This is something which does not appear at times to be reflected in the kinds of training on offer with witnesses stressing that funding streams tended to be specific to a particular part of the industry:

> That is key for us in Scotland, where practitioners work on both film and television drama, whereas in other areas of the UK, they might specialise. A lot of the funding opportunities that come via Creative Skillset's different funding pots are specifically only for film or only for television drama, and that can be difficult for training providers, because we need to apply for funding specifically to train people for film but we need our new entrants to work across film and television in order to be best prepared for life working as a freelancer in Scotland.[199]

293. As the SSLG point out, Scotland faces some unique challenges in relation to training due to the precarious nature of employment in some parts of the sector:

> The needs and challenges of the sector in Scotland are distinct and particular within the UK context, in which London and the southeast predominate. Production volumes vary seasonally and year-to-year, rendering identified 'skills needs' abnormally contingent on time-limited circumstances. The unreliability of work for freelancers in Scotland can lead to withdrawal from the industry or re-location to other production centres, and the loss of key personnel and skills.[200]

294. Similarly, Seetha Kumar from Creative Skillset highlighted the need for there to be a swifter and more responsive approach to aligning skills with potential work opportunities:

> There has to be a responsive business intelligence system on skills that understands the baseline of what is needed but can respond to changing shifts in need.[201]

Courses, Teaching and Qualifications

295. The Committee sought views on the kinds of courses currently on offer in Scotland and the balance which needs to be struck between higher education and vocational courses. Graham Fitzpatrick from Screen Education Edinburgh told the Committee:

> The big issue is that, at the end of the pipeline, we have prepared people for college and university, and they tend to be lost in that system for three or four years. They come out at the other end in high numbers, and there are not many opportunities for them. Not every young person that we deal with should go down the academic route. Some are more suited to apprenticeships—modern apprenticeships and foundation apprenticeships for the younger age group, which we are starting to look at.[202]

296. That courses need to better tailored to both the student but also the kinds of jobs within the marketplace was also raised in evidence. At the time, Rosie Ellison from Film Edinburgh emphasised the need for there to be a better understanding of the kind of jobs on offer in the industry. She commented:

> People do not go through school thinking, "I want to be a set painter." They do not know that the jobs exist, but within the film industry—it is like an army—there are hundreds of different very specific jobs with different skill sets. Awareness of the industry in schools these days is still very much about people wanting to be director or actors, and that is about it.[203]

297. Linda Fraser from Hit the Ground running made a similar point about the way in which training needs to be accompanied by better routes into the industry as this can often act as a barrier for those trying to break into the industry. She stated:

> I found that there was a real gap for people coming out of education or from other routes—they had no routes into our industry. It is very precarious at the start, and very difficult for people to get an opportunity to work in the industry unless they already know somebody who works in it.[204]

298. The Committee also heard evidence from Alison Goring from the newly established National Film and Television School at Pacific Quay. Ms Goring commented on the role of the School that:

> The film school will offer a broad range of courses on film, television, drama and documentary filming, as well as on the technical and editorial aspects of production and eventually, I hope, games.[205]

299. The Committee welcomes the establishment of the National Film and Television School.

300. When the Committee asked about how courses linked with the wider industry, a number of witnesses expressed support for the new entrants training scheme (NETS). Linda Fraser from Hit the Ground running explained:

> Forty years ago, Scotland led the way in designing a model for on-the-job training called the NETS programme—the new entrants training scheme. It has been delivered on and off for the past 40 years, subject to funding being available, and it is widely respected in the industry as a great model for quality, for reaching out to people to apply for it and giving them an opportunity to work across all the different areas of film and television.[206]

301. Witnesses also provided an overview of the kinds of screen courses currently available in Scotland and stressed that at present there is no dedicated Scottish qualifications but instead the curriculum relies on using courses from other parts of the UK. Graham Fitzpatrick from Screen Education Edinburgh summarised the position as follows:

> There is a big issue to do with the qualifications in the school system in Scotland,... Screen Education Edinburgh offers three qualifications, none of which is Scottish. For the more participatory stuff, we run the arts award, which is from Trinity College London—it is an England-based qualification. It is run by a lot of arts organisations up here. We also run the Northern Irish A-level, which has for the past 20 years been rated the best film qualification in Europe for young people up to school leaving age.[207]

302. As the EKOS skills survey is now complete, the Committee expects to see progress on the skills plan and further detail on how the industry will be involved in developing a strategy for skills. The Committee recommends that the skills plan include:

- How funding can be centralised and provided on a more consistent and longer term basis;
- How skills and training can be rolled out in a more consistent manner nationally and best practice shared across the country;
- A focus on improving routes into the industry;
- A plan for improving diversity and inclusion within the sector;
- Consideration as to whether Scotland should design its own qualification for screen.

303. The Committee heard a great deal of positive feedback from those in the industry on the New Entrants Training Scheme. The Committee **recommends** that consideration be given to how more companies and individuals could benefit from this scheme.

Data

304. Throughout the inquiry the Committee has heard about the value that improved data collection and analysis could play in supporting decision making. The SSLG report refers to the lack of reliable statistics about the screen sector in Scotland and the fact that there is a significant gap in the understanding of a "base level" from which to measure growth. Furthermore, the SSLG concluded that without this information it would be difficult to establish how the effectiveness of any strategy for growth can be measured and evaluated.

305. To help the Screen Unit understand the data landscape, partner agencies commissioned Olsberg SPI to conduct an economic baseline assessment of the industry in Scotland. That assessment notes:

> Our approach has been driven by the difficulty of drawing specifically-Scottish data out of the UK-wide data sources which exist. While these are comprehensive and authoritative, identifying the national and regional impacts from these is challenging, necessitating a different approach.[208]

306. The SSLG's TV working group commissioned EKOS to examine the current availability of data in Scotland and it usefulness for developing priorities and strategic for the sector. The EKOS report found that:

> While there is no lack of data on the sector across the UK, it is not comprehensive; it comes from a range of sources with different methodologies making comparisons difficult; ad hoc studies do not provide consistent data over time; and, significantly, there is a lack of Scotland-specific data in a number of areas.[209]

307. The Screen Unit Proposal includes a number of ambitious targets, for example to achieve a 100% increase in production spend in Scotland by the end of year five. Given the evidence raised above about the lack Scotland-specific data, the Committee was keen to understand how these targets could be accurately measured. Mr Barnes from Olsberg SPI outlined the situation:

> The major challenge that you face as a nation in increasing production spend is to be able to identify the degree to which you have increased production spend and to accurately measure the impact of that at a future stage. We work across many countries starting at a much lower base level than that in Scotland in implementing screen support systems. We always tell those countries that including data collection provisions as part of an investment is required in order to be able to accurately determine the impact of that investment. In Scotland, a certain degree of that exists, but it has to be asked how one puts in place a data collection methodology that makes it possible for the impact of the investments to be evaluated against the targets, and to track that back to the starting position. Unfortunately, the first part of that might not be possible, but the second part is absolutely critical.[210]

308. An illustration of the difficulties with data is the revelation in evidence that the baseline assessment of the screen industries in Scotland included non-domiciled cinema chains. Andrew Barnes of Olsberg SPI told the Committee that this was done at the request of the "client" but could not recall if this was Scottish Enterprise or Creative Scotland:

> That [data] was put in following discussion with our clients. It was felt that, without that data, the overall report would provide an underestimate of the impact of that part of the screen sector. Even if the beneficial owner of such a cinema is not domiciled in Scotland, the wages that it pays to Scottish residents and employees still have a downstream impact on the Scottish economy. It is a tricky balance to strike. That is why we disaggregated the information in the way that we did. We wanted to make it clear which bit related to Scotland-domiciled companies with a Scottish tax base and which bit related only to Scottish employees who would receive some benefit from that employment.[211]

309. The Committee notes that the Screen Unit Proposal contains limited detail on how it intends to collate and analyse data other than identifying the need for there to be stronger horizon-scanning and regular data gathering and analysis. When the Committee asked Creative Scotland about the development of a data hub it was not clear when this work would be completed. Scott Donaldson from Creative Scotland stated that:

> The data is difficult and it is difficult to obtain the full data picture that we would all like. The data does not line up, and we heard from Olsberg SPI, the British Film Institute and others about the difficulties in that regard. As the collaborative proposal points out, £250,000 a year is allocated to data and research. I think that that is one of the most exciting aspects of the whole proposal, because it gives us the resource and opportunity to nail some of those data questions, albeit that there will remain all kinds of difficulties.[212]

310. Mr Donaldson also talked about the Knowledge and Research Team within Creative Scotland working with the BFI to understand what Scottish-specific information can be obtained from that data. Alex Tosta, research manager at the BFI, suggested the following approach to data collection:

> First, we would identify the outcome that we wanted to achieve from any research or data collection. We would use that to identify the key and critical questions that needed to be answered, and we would follow that up by identifying what data was already available and what data needed to be accessed. It depends on what your priority is for data collection and any additional research that needs to be carried out.[213]

311. Others stressed the need for data collection to be better incorporated in the film and TV making process and that the process should be developed in a way which is cognisant of the interconnected nature of the industry. Dr Michael Franklin explained:

> I am talking about an approach whereby all the data feed through as part and parcel of what is going on, as opposed to one in which every three or four years people have to think, "Are we doing it right?" There should be a continuous, on-going process, and it should be linked to what goes on at the BFI—and also at European level. The role of teamwork, especially in ensuring that data can be mapped across different areas, is important.[214]

312. Dr Inge Sorensen from Glasgow University also emphasised how data could be used - not only to understand the current state of play within the industry - but also to drive policy. Citing the example of Scandinavian countries, she stated:

> Maybe it would be helpful to look at the Scandinavian countries. There seem to be two needs for statistics here. One is the need to drive the industry and tell us what the Scottish screen sector is really like; and the other, specifically in this context, is the need to drive policy. The Scandinavian countries produce film law every four years that decides what the sector should do and gives direction and budgets to the screen funders. In that process, there is collaboration between the Government, which sets down the law, and the screen agencies, stakeholders and the industry. In that context, data becomes very relevant and interesting in deciding what happens in the next four years. That could be a relevant example for the committee to consider.[215]

313. Although witnesses did express a need for there to more be more Scotland-specific data, they also stressed that this information should sit within a UK context. Andrew Barnes from Olsberg SPI commented:

> If we are to be able to identify not just the impact in Scotland as a nation but how Scotland compares to other nations in the UK that are identified in the screen sector proposal, it is important to have a degree of coherence across UK-wide data gathering that allows for such comparisons to be drawn.[216]

314. Without reliable data on spend, it will be impossible for the Screen Unit to demonstrate return on public investment. It is therefore vital that the commitment to a data hub made in the collaborative proposals, and repeated by the Chief Executive of Creative Scotland in correspondence to the Committee, is delivered. The expectation in the sector is that this would be a bespoke hub for screen.

Audiences

Background

315. Fundamental to the longer term sustainability and growth of the domestic screen sector is the need for it to be supported by Scottish audiences who have access to and an enjoyment and appreciation of a wide variety of content. With the introduction of new digital platforms and improvements in internet connectivity, audiences are accessing content in new and innovative ways. Shifts in the way audiences consume and access content have created a new set of challenges and opportunities for the distribution and exhibition sector and the Screen Unit will need to work to address these issues if Scotland is to develop the audiences of the future.

316. As part of its work, the SSLG set up series of sub-groups, one of which was tasked with looking at the issue of distribution, exhibition and audience development. The SSLG sub-group proposed an ambitious strategy for the sector which would help support the distribution and exhibition sector. One of the Group's conclusions stated:

> Scotland has the opportunity to grow the market significantly for film distribution and exhibition across the country over the next 10 years. This would see a step change in the value and impact of the film distribution and exhibition sector in and across Scotland, benefitting its communities and citizens.[217]

317. At present Scotland lags behind other countries in terms of the number of cinema screens per 100,000 people, and in the average number of visits to the cinema each year. Many communities in Scotland lack access to the cinema experience,

with technological, socioeconomic and geographic factors all acting as barriers to delivery and growth.

Geography

318. The unique set of challenges faced by Scotland in terms of its geography and its population spread can often act as a barrier to some communities accessing content. This is reflected in the fact that the majority of screening facilities are located in urban areas. Robert Livingston from Regional Screen Scotland explained the commercial challenges associated with exhibiting content to smaller audiences in more remote areas:

> Although the commercial sector plans to build new cinemas in Scotland in the next five years, the indications are that they will be built entirely in towns and cities that already have cinema provision. Although one thinks of cinema as a commercial industry, we cannot leave it purely to the market to plug gaps in provision. As Ken Hay said, some of those gaps are quite flagrant; we are talking about perhaps one in 10 people in Scotland who have little or no access to our most popular cultural form of expression.[218]

319. Given the constraints, the Committee was keen to understand from the witnesses how this problem could be addressed. Alison Gardner from the Glasgow Film Festival proposed a Norway style approach:

> Norway—has a fantastic model of regional cinemas, with local people owning bits of the community cinema. People there are very well served, as they are in most of the Scandic countries, which have good models that give people access to films, including films from their own country. Denmark is very strong in supporting Danish films in its cinemas.[219]

320. Others proposed going beyond community ownership to repurpose existing facilities to create cultural hubs whereby a range of activities could sit within one space. For example, Robert Livingston from Regional Screen Scotland suggested:

> In many cases, there are venues that could become digital cultural hubs that would not just screen films but use the technology for other kinds of opportunities, and could also be used for live performances, to ensure that we still have an appropriate level of live touring performances in the country.[220]

Superfast broadband

321. Key to accessing content in the future, particularly in more rural areas, is sufficient connectivity to download or stream material. This will inevitably require the roll out of superfast broadband. Ken Hay explained:

> In order to develop cinema provision in Scotland, key infrastructure issues need to be considered. I know that the committee has been looking at the need for superfast broadband across the whole country, and I reiterate that we see that

> as a key priority, because it would facilitate cinema exhibition and domestic access to film and television content at home as well as in communal spaces.[221]

322. The Committee understands that under the Scottish Government's Digital Strategy, the intention is to ensure every home and business in Scotland has access to superfast broadband by 2021.

Film Festivals

323. Scotland hosts a number of annual film festivals. These festivals offer a platform not only to showcase new content and support indigenous talent but to connect audiences with content and the people that make it.

324. Given the role festivals play in promoting content and providing access to new audiences, the Committee sought to understand whether Scotland's festivals could be used help support emerging talent. Alison Gardner from Glasgow Film Festival provided the example of the Glasgow festival holding the premiere of a Karen Gillan film and commented that:

> She chose to premiere it with us even though she was going on to do a succession of other film festivals. The film was shot in Glasgow and had a Glasgow crew. Our job is to give a focus on such films; we also focus on first and second-time directors from across the world, who can win our audience award.[222]

325. Ken Hay from Film Edinburgh also highlighted how it taps into the Scottish Government Expo Fund to support indigenous talent:

> We, too, have a commitment to new and emerging talent and voices from across the world, but we have particular responsibility to those from Scotland and the United Kingdom. Each year, with the support from the Scottish Government expo fund, we run talent lab, which brings in 30 new and emerging writers, producers and directors. About 15 of those will be from Scotland, and they get to mix with their peers from the rest of the UK and internationally.[223]

326. The Committee also inquired about the opportunities provided by film festivals to smaller indigenous productions and how these then translate into larger multiscreen opportunities. Alison Gardner form Glasgow Film Festival explained that:

> We do not have a formal process, and I am sure that Edinburgh does not either, but what we do is to introduce the films to distributors at our industry days, for example, and make sure that the film is put in front of them so that they can see the audience reaction. People may perhaps go and buy the film after that. We talk to our colleagues at film hub Scotland and say things such as, "Your audience will really enjoy this. 'Nae Pasaran' is a film for everybody." That film is a great example of that. It is about getting the right people in the right room at the right time to watch films that otherwise will have no cachet elsewhere. Our

> business—exhibition and distribution, for example—is very London-centric. After the London film festival, I would say that Edinburgh and Glasgow are the next two biggest film festivals in the UK. In that sense, we are giving a platform to a lot of new work in our country.[224]

327. The Committee **recommends** that the Screen Unit develop an overarching strategy for the distribution, exhibition and audience development sectors.

328. The Committee will continue to monitor the progress of the Scottish Government's Digital Strategy. In the meantime, the Committee **recommends** that the Screen Unit work across the exhibition and distribution sector to map where provision could and should be improved.

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