



Baseline Study of Regional Investment in Independent Media Production

FINAL REPORT

Prepared For:

**Claire Scally
Senior Executive
Digital Media and Creative Industries
Scottish Enterprise Glasgow
50 Waterloo Street
Glasgow G2 6HQ**

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1.0 BACKGROUND

1.1 The Client

Scottish Enterprise Glasgow (SE Glasgow) supports the Digital Media and Creative Industries in Glasgow through bespoke business development packages for businesses and through the funding and management of a number of projects that support the sector.

To date support for the digital media sector has largely focused on television and film companies and projects but the organisation is developing its strategy to support digital media businesses operating in the 'converged' media space – content creation and 'content-facing' production and services.

1.2 Aims of this project

In recent months it has become apparent that there has been a downturn in television production in Scotland. A recent Ofcom report has shown a fall in commissions from BBC Scotland, BBC Network and ITV. As over 90% of Scottish broadcast production takes place in Glasgow, this has a significant impact on the city's digital media activity.

In order for SE Glasgow to develop its strategy for the support of the digital media production sector and to reinforce its position as a major production base outside London it sought to commission an external consultant to benchmark Glasgow's production centre against other UK centres.

1.3 Research Objectives

In benchmarking the independent production sector, this study establishes:

- The size of the production sector in a number of key production centres and any evidence for the increase in production in these centres
- The types of intervention available in these production centres: who operates them and the size and terms of the individual funds and/or business development support
- The impact these funds have had on the local production centres where this evidence is available
- Whether these centres are adopting a strategic approach to intervention in the sector e.g. are they concentrating on particular areas of digital media such as television production or are their strategies covering wider digital media production,
 - Are they focusing on supporting companies or projects?;
 - Are they being selective in their support of companies and if so how do they choose these companies?;
 - Are they working in partnership with other regional bodies and/or investors to leverage more funding for the sector?;
 - Do they offer regional attraction funds to encourage larger London-based companies to locate in the region and, if so, has this been successful for the local economy?;
 - Are they encouraging inward investment?;
- Where the regional funding pots are coming from where this information is available

- An overview of sector investment available to digital media companies in Scotland/Glasgow

1.4 Production Centres

In order to comprehensively benchmark Glasgow's production sector against other UK centres, we reviewed the following production centres:

- Glasgow and Scotland
- Manchester and North West
- Newcastle and North East
- Belfast and Northern Ireland
- Cardiff and Wales
- Bristol and South West
- London
- Birmingham and West Midlands

1.5 Our Approach

Stage 1: Inception meeting

The lead consultant met with the Scottish Enterprise Glasgow project team to clarify the aims of the project and agree processes.

Stage 2: Desk research and analysis

We undertook a detailed process of sourcing and reviewing existing data on the digital media sector, both nationally and in each production centre. This included a comprehensive review of published statistical evidence and research on the sector at a national, regional and sub-regional level; including data from Ofcom's Communications Market Report, PACT's Annual Report and Skillset Annual Census. In addition to publicly available data, we drew on a significant body of unpublished sector reports, evaluation studies and research from our own Knowledge Hub.

Stage 3: Interviews with stakeholders and businesses

In order to gain current views on the UK's independent media sector and an understanding of developments within each of the production centres being reviewed, a series of in-depth interviews with a range of commissioners, support service providers, funders and independent production companies were undertaken.

A list of the individuals who were interviewed and the interview guide that was followed during the interviews is available as an appendix to this report.

Stage 5: Options development workshop

Having carried out the primary research, we facilitated a half day workshop with the client group. During this session we presented the headline findings from the research and a series of initial recommendations. The findings and early recommendations were explored in depth and refined with the client group.

Stage 6: Analysis and reporting

This documents reports on our findings from the primary and secondary research, providing an overview of current data on the UK's production sector, profiling each of the eight production centres reviewed and discussing the implications for Glasgow.

Please note: Information in this report has been gathered through a combination of desk research, interviews and follow up calls to obtain specific information. The information is therefore as correct and up to date as possible. There may be small inaccuracies given the fast-developing nature of the digital media sector. We have used the latest data sets available at time of research.

2.0 NATIONAL PROFILE

NB: This section looks at national trends in the digital media sector. For more detail on independent television production, please refer to Appendix 1: Independent Television Production – Volume, Value and Trends.

2.1 Overview of national comparator data¹

Please note: rows will not add up to 100% as this report does not consider every UK region. Percentages are rounded to the nearest whole percentage point. Employment figures are rounded to the nearest 100. Spend figures are rounded to the nearest £ million.

Region	South West	North West	Wales	West Midlands	Scotland	Greater London	North East	Northern Ireland
Of total UK sector employment	5%	6%	3%	3%	5%	45%	3%	2%
Total sector employment	10,200	11,300	6,600	6,200	9,800	85,000	5,700	3,200
Total permanent employees	6,900	7,100	4,300	4,900	6,900	60,000	4,900	2,400
Total freelance employees	3,300	4,200	2,300	1,300	3,000	25,000	800	800
Broadcast television employment	1,100	1,400	1,100	600	1,300	11,600	400	700
Independent television employment	700	2,400	1,200	500	1,200	11,700	100	600
Digital media employment²	2,800	2,500	2,100	2,800	3,800	15,600	3,700	900
Total spend on TV production	£153 million	£210 million	£73 million	£106 million	£138 million	£1,476 million	£32 million	£43 million
Of total UK spend on TV production	6%	8%	3%	4%	5%	59%	1%	2%
Total spent by broadcasters on external commissioning	£27 million	£36 million	£12 million	£22 million*	£29 million	NA	£10 million	£3 million

*Figure quoted is for East and West Midlands combined

¹ Employment data from Skillset (2006) *Employment Census 2006 – supporting dataset*, production spend data from Ofcom (September 2005) *Television Production Sector Review – a survey of TV programme production in the UK*

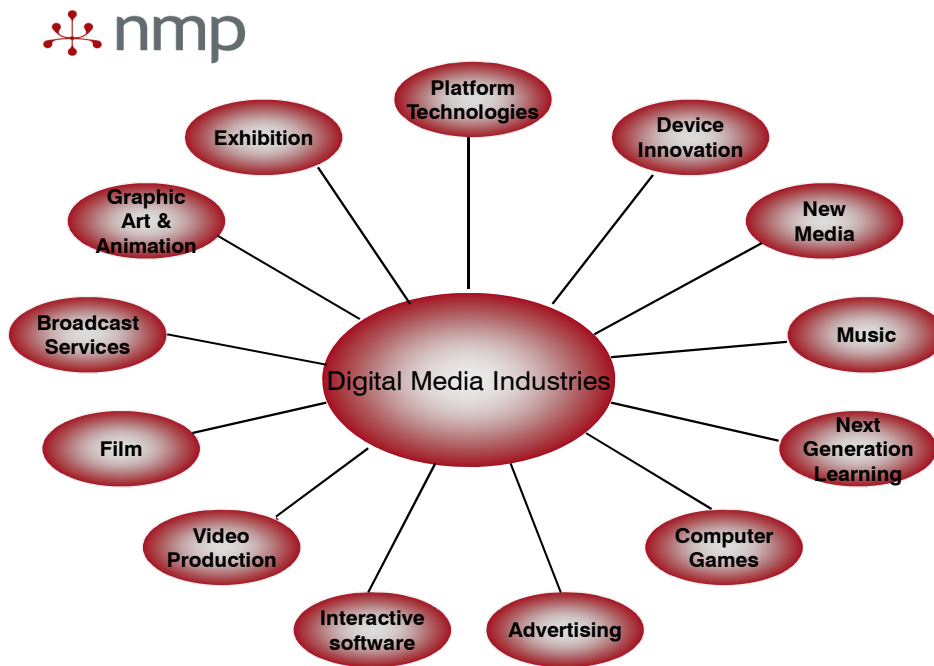
² Animation, Web and internet, Offline multimedia, Interactive TV, Mobile content and computer games

2.2 Sector definition of the digital media industries

A useful definition of Digital Media industries is as follows: “new formats and channels arising from the convergence of telecommunications, IT and media or entertainment products and services, often multi-media in nature”.³

The digital media industries encompass a number of sub-sectors, as illustrated in the chart below. We will be taking this wide-ranging approach to the research.

Figure 2 – The Digital Media Industries



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³ NMP Ltd. (January 2002) *Cluster Development Plan: Culture, Creativity and Multimedia*

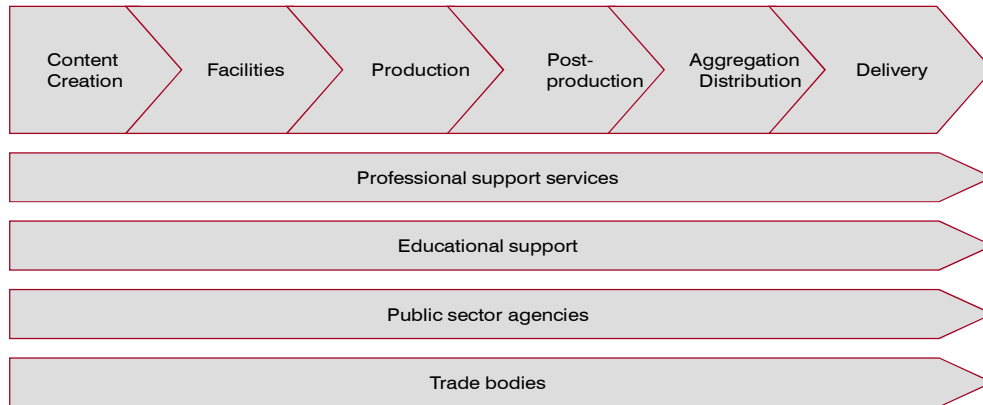
2.3 The changing shape of the creative and digital industries

While in the past nmp had prepared a number of different value chain diagrams relating to sub-sectors such as TV, film and video, radio and publishing, the digital era has now reached a stage where convergence is at last becoming evident and where it is more useful to approach the industry from the basis of one common value chain.

2.3.1 Value chain for digital media industries



The Value Chain



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The value chain consists of a number of vertical links that make up the process from idea generation and creation of content elements, through production, finishing and aggregation of products to distribution and delivery. The value chain also contains a number of horizontal elements. These include sector specific professional support services, relevant educational departments and public sector agencies.

Content creation refers to the actual content elements that make up a TV production, film, new media clip, advertisement or publishable product.

Facilities includes a wide variety of business supplying services to the production – from equipment hire, specialist supply of catering, props, sets, agencies etc.

Production includes film production companies, film studios, TV production companies, commercial production houses, New media production companies.

Post-production includes editing houses and post-production houses.

Aggregation is an important element within the value chain and an element that is currently being contested by a lot of different types of companies. In TV circles, the broadcasters have typically fulfilled the aggregation role in-house but the move to a greater level of programme sourcing from independent production companies has changed the situation and new players are seeing the value to be gained in this space. BSKyB is currently the dominant aggregator of content for digital TV.

Within new media sub-sectors, the aggregation role has been fiercely fought. For example, within the mobile content business mobile network operators (Vodafone, Orange, O2, T-Mobile and Three), handset vendors (particularly Nokia), independent content aggregators (JAMSTER, Fun2Mobile) and portals (Yahoo! and MSN) have all been vying for the role to assemble the best range of content.

As technological advances continue to push the content industries towards convergence, we are likely to see this aggregation role grow in importance. Consolidation across the sub-sectors is due so that in the next few years we will see ‘super aggregators’ emerge that have the ability to assemble multi-format content for next generation technology delivery platforms.

Distribution refers to the distribution of TV properties to the UK and other networks and the physical distribution of products such as DVDs, games and published items.

Delivery is the element of the value chain which is witnessing the greatest convergence to date. The most developed example of convergence is for digital radio content, where cable TV, satellite TV, DAB radio and Internet technologies may all be used to access the same set of basic services. So, where delivery has been the territory of the main broadcasters we now see alternative businesses such as telecoms operators, portals and internet service providers (ISPs) moving into this space.

Professional support services include accountants, lawyers, agents and consultants that have chosen a sector-specific focus – serving media, digital or creative industries.

The **educational** back-drop has been widely accepted as core to cluster development. For example, a review of Television in the Regions and Nations commissioned by ITC4 identified the existence of academic institutions with high-quality media departments as

one of the core criteria for a television-related cluster. Universities recognise a need for contact within the industry and see that their vocational-related departments and research units can benefit from being integrated with industry players. They are also increasingly interested in working in partnership with Regional Development Agencies on joint innovation and commercialisation initiatives and are becoming increasingly important in adding to footfall and giving an impression of scale in such developments.

Public sector agencies play an important role in supporting and stimulating cluster development. Agencies with a focus on digital media include: Skillset; Arts Council England; the Research Centre for Television and Interactivity.

Relevant **trade bodies** can include trade unions, industry organisations and other industry-sponsored bodies.

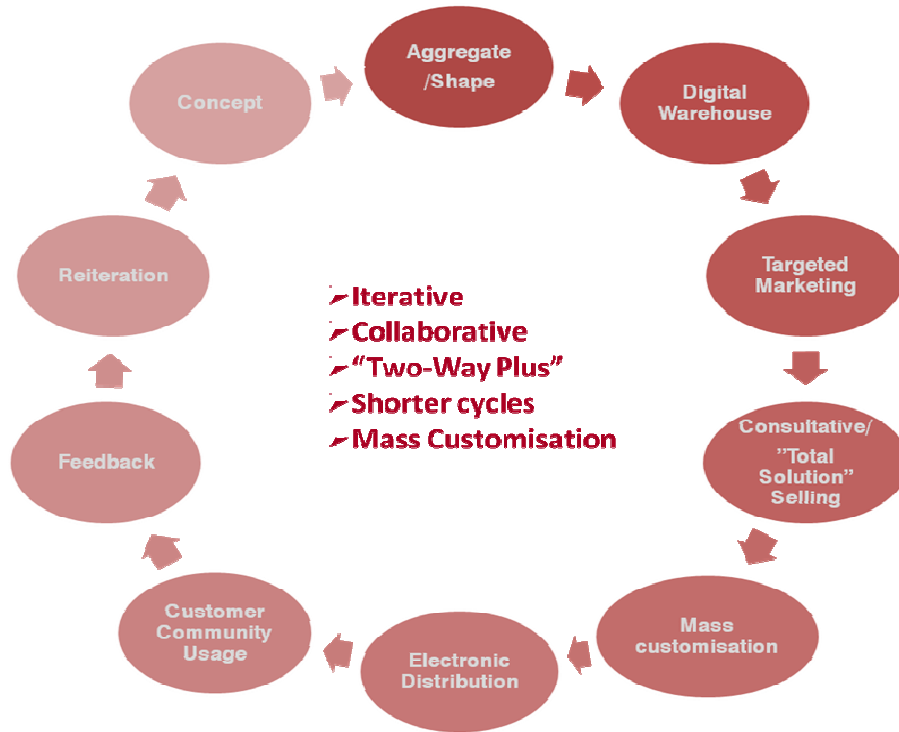
However, with the development of new devices – PDA's, MP3 players, ebooks, pod casts, PSPs, DS and mobile phone technology - there is a need for compelling content that can be delivered over these digital delivery channels. New service models are demanding new improved user experience. The reliability and availability of traditional media, such as TV and radio, are now expected from the new digital and electronic services. The traditional value chain must be transformed into a digital production and distribution value chain.

This is leading to the development of new business models across different elements of the digital industries as separate industries evolve and mature at different rates. Examples include OrangeTV's commissioning of advertising agencies to develop their mobile TV content. The Managing Director of UKTV has been recruited by WPP (the world's largest full service advertising agency) to head up their newly formed Global Ad-funded Digital Division. Arts Alliance Media are the BFI's supplier of technology in the 200+ screen rollout of digital cinema in the UK – and they also own Love Film the online movie rental operation that is now trading in six European countries. **nmp** has been commissioned on a revenue share business model, by Nokia, to acquire content for its new mobile and sideloading platform for film, music, games and comedy genres.

The net effect of this change is that digital content and technology are not only seeing a shift from a series of value chains to a single converged value chain, but also from the traditional project-based value chain to the emergence of the new product-based value circle.

⁴ Television in The Nations and Regions, Independent Television Commission, 2002.

2.3.2 The value circle

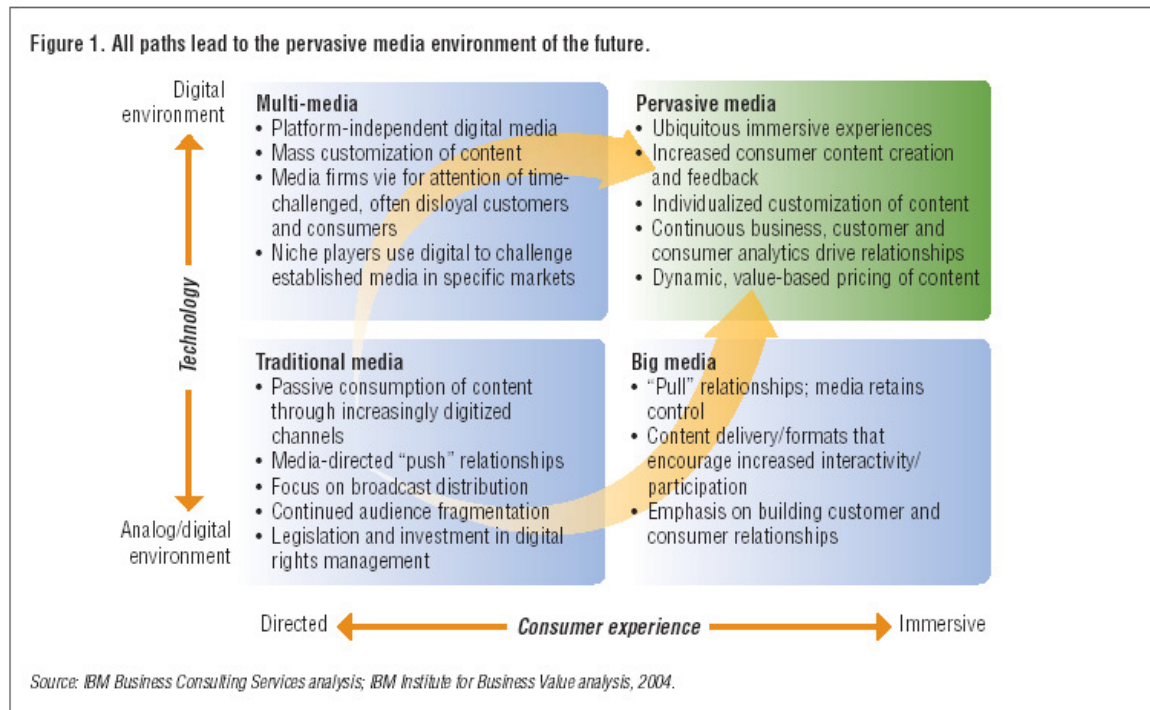


The value circle of the digital world differs from the traditional value chain – some elements of the value chain will contribute in new ways to the digital value circle, some will join the process for the first time, some will leave. The value circle highlights more interaction to help drive customisation of products and services. The value circle is iterative, not linear like the value chain process – steps can be repeated to ensure ultimate customer satisfaction. Value can also be added in various stages of the process and cycles are much shorter than the traditional process. The value circle allows mass customisation by consumers. This can be carried out by allowing the customer to tailor the product or service the way they need/want it.

2.3.3 The shift to pervasive media

It is clear that the non-traditional and digital media elements are going to see increasing growth in coming years. The following model was produced by IBM to represent the shifting sector.

IBM Trends⁵



The upper-right quadrant (Pervasive media) represents the coming era – consumers and businesses are fully connected, immersed in media all the time. Businesses will be able to respond through online connectivity and deliver electronically at any hour around the clock. Many forms of media will be “parallel processed” – in use simultaneously – such as watching TV and e-mailing at the same time. Media companies will be able to multi-cast, deploying three or four channels in the same space as one analogue channel, bringing even more content to market. Users will be inundated with choices.⁶

⁵ IBM (2004) *Media and Entertainment 2010*

⁶ IBM (2004) *Media and Entertainment 2010*

Independent production companies that can adapt their business models to take advantage of this seismic shift towards pervasive media are likely to benefit, although arguably, with its long established focus on communicating with individuals, the advertising sector might already be the best placed sector to take advantage of this shift.

2.4 Sector employment

Skillset's Employment Census figures identified that there were some 205,550 individuals (freelance and permanent) employed within the UK's screen industries in 2006, of these, 26% of the sector's employees were employed within the digital media sector,⁷ as compared with 20% in employed in the combined sector of broadcast and independent television.⁸ While Skillset's Census is useful as it collects data on an national level, the census does not include advertising, design, music and publishing sub-sectors, all of which make a contribution to the digital media industries.

According to the DCMS figures for the UK's Creative Industries, the total UK employment within the combined digital media sectors of Advertising, Design, Film, Video and Photography, Publishing, Radio and TV, Software, Computer games and Electronic publishing is 1.3million individuals.

The total employment for the TV and Radio sector in 2005 was 108,700 individuals, with the sector having seen an average annual growth in employment of 1% per annum since 1997. This compares with the Software, Games and Electronic publishing sector which employed 596,800 individuals in 2005, growing at an average rate of 6% per annum.⁹

Again by way of comparison, in terms of the number of businesses operating within the sector, the DCMS figures for the creative industries identified that there were some 4,400 businesses operating in the TV and Radio sector and 51,200 in the Software, Games and Electronic publishing sector in 2005.¹⁰

Although Skillset and DCMS use different definitions for the sector, both sets of figures indicate that the technology focused digital media sector is already significantly larger than the more traditional content sectors and are growing at a significantly faster rate.

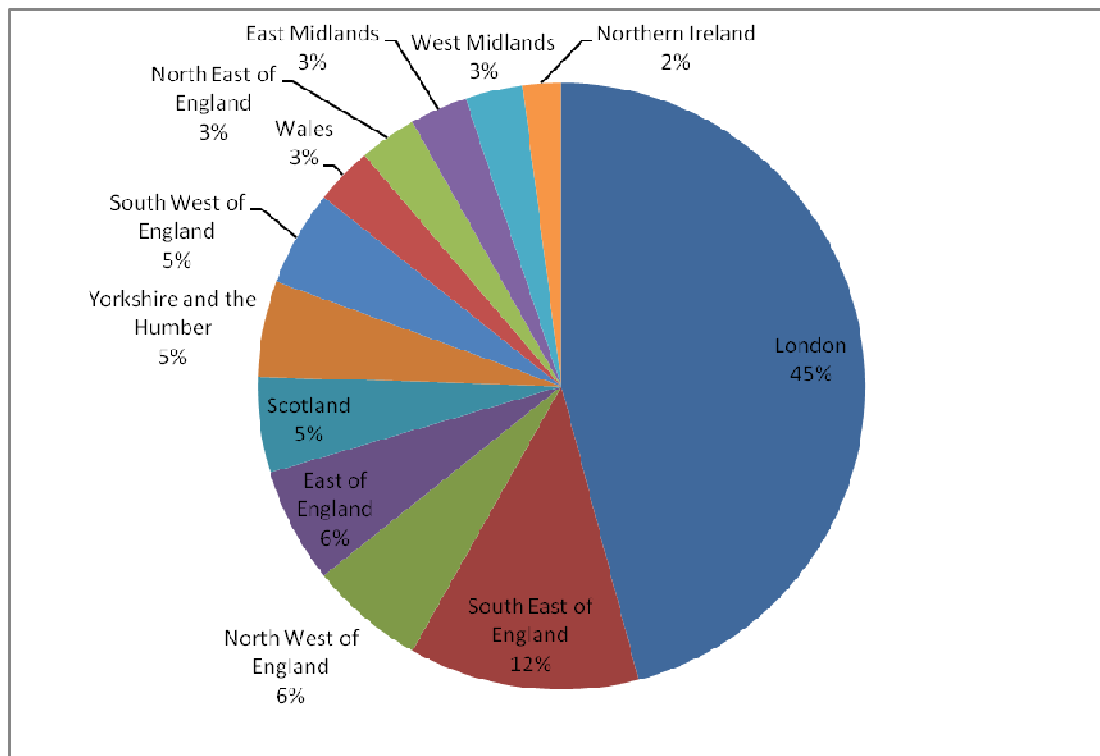
⁷ Animation, Web and internet, Offline multimedia, Interactive TV, Mobile content and computer games

⁸ Skillset (2006) *Employment Census 2006*

⁹ DCMS (September 2006) *Creative Industries Economic Estimates Statistical Bulletin*

¹⁰ DCMS (September 2006) *Creative Industries Economic Estimates Statistical Bulletin*

2.4.1 Work base of the screen industries¹¹



In accounting for 5% of the UK's screen industry employment, Scotland ranks joint 4th in the Skillset Employment Census, behind London, the South East, the East of England and the North West.¹²

2.5 Value

The most recent DCMS figures for the Creative Industries figures available put the total GVA value of the combined digital media sectors of Advertising, Design, Film, Video and Photography, Publishing, Radio and TV, Software, Computer games and Electronic

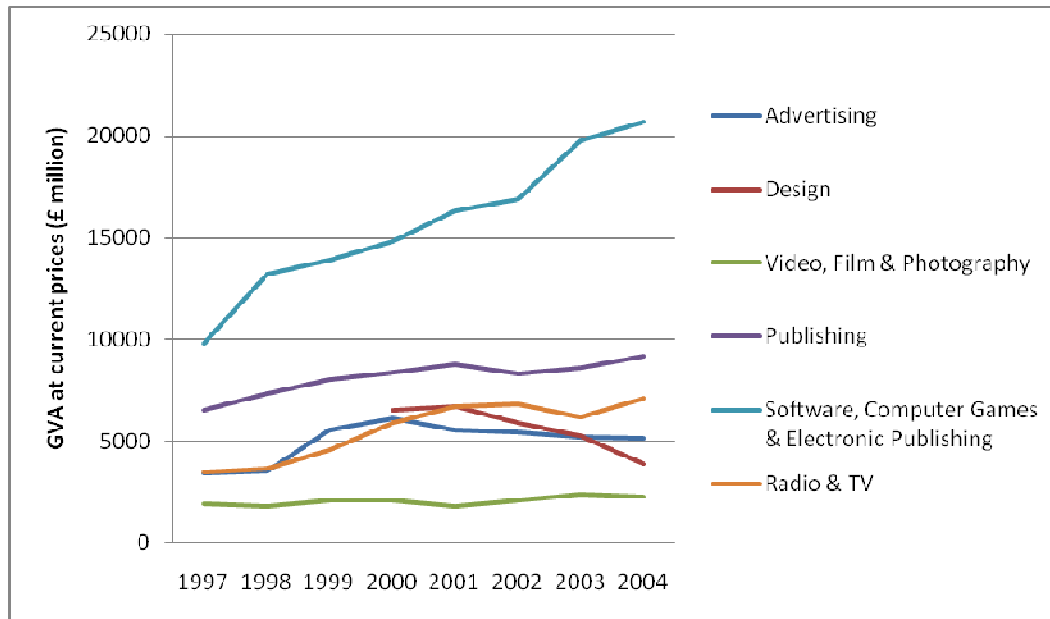
¹¹ Skillset (2006) *Employment Census 2006*

¹² Skillset (2006) *Employment Census 2006*

publishing at £48.3billion. The most value sub-sector by a long margin being the Software, Games and Electronic publishing sector, which contributed £20.7billion in 2004.¹³

The chart below illustrates that the more technology focused industries of software, games and electronic publishing are leading the digital media industries in terms of growth. While the general pattern for the TV and Radio sector has been one of limited but sustained growth.

2.5.1 GVA of digital media industries¹⁴



¹³ DCMS (September 2006) *Creative Industries Economic Estimates Statistical Bulletin*

¹⁴ DCMS (September 2006) *Creative Industries Economic Estimates Statistical Bulletin*

2.6 Sector growth issues¹⁵

Advertising - There has been a general increase in the number of platforms available to distribute advertising content. The emergence of multi-channel digital TV is constricting spending on traditional TV advertising. An increased share of advertising spend is channelled by the internet and digitisation, allowing small firms to access the advertising market through online search engine marketing - a rapidly growing area of the industry.

Film - The likely shift from packaged goods (DVDs) to electronic downloads will impact on revenues and profitability. Consumer leisure patterns are increasingly shifting towards spending time online with multiplayer games, user generated content etc. which will affect cinema going and time spent on watching films on DVD and TV. There are strong UK industry concerns that DCI specs (US studio-led international standards for the production, distribution and exhibition of digital film) will raise the cost of entering the market for smaller and independent studios and post-production companies and thus threaten their ability to operate.

Music - The launch of major online retailers such as iTunes and Napster have resulted in substantially increased download sales, meaning industry needs to continue to adapt and refine online business models. There are risks of physical and online piracy and confusion among consumers about the role and restrictions of intellectual property and related legislation.

Publishing - Open access to information via the internet is impacting on publishers. The move from print to digital is impacting on skills needs of the industry. Publishers require expertise in both fields in order to make the transition, meaning they essentially have to operate two businesses at once.

Around three quarters of publishing companies have not developed a digital strategy. Many are developing a digital plan, although many are not making the necessary tactical responses. The most coherent and developed digital strategies are in the business publishing sector. Importantly, however, the majority of boards have placed digital high on their agenda.¹⁶ The greatest driver of digital success is meeting changing consumer needs (market migration). Digital publishing has gained heartily from the advertising market. Advertisers see the value of both online and print, although newspapers are suffering with recruitment advertising moving more towards the web.

Software and Computing Services - There is a poor state of pull-through in the education system in this sector. The focus is on ICT training but more needs to be done in secondary education to attract the mathematicians, physicists etc. that the industry needs. There is a shortage of appropriate employment-ready skills amongst new graduates in this sector and SMEs do not have the resources for the training/retraining that is needed.

¹⁵ The Work Foundation, DCMS (2007) *Staying Ahead*.

¹⁶ Deloitte (2006) *Turn the Page: The net benefit of digital publishing*

TV and radio - Digital switchover will release spectrum and deliver increased opportunities to the industry. Users are increasingly generating content and expecting services on demand across a range of platforms.

In the past two years, the sector has been characterised by mergers, investments from private equity firms and by public market-listings. There has been considerable consolidation in the independent production sector during the past few years. Thirty-three out of the top 50 companies (by revenue) are part of a group, these companies each turnover in excess of £9m. The Broadcast Indies 2007 Survey confirms that consolidation was an ongoing market characteristic in 2006. Broadcast reported that the top ten groups achieved a combined turnover of £936m in 2006; IMG led the field with group turnover of £212m, followed by Endemol and All3Media both at £173m.

Top holding companies and independents by revenue 2006¹⁷

1	IMG	£121m
2	Endemol UK	£173m
3	All3Media	£173m
4	HIT Entertainment	£166m
5	Talkback Thames	£146m
6	RDF Media Group	£100m
7	Shine	£100m
8	Tinopolis	£47m
9	Aardman Animation	£44m
10	Shed Productions	£44m
11	Ten Alps	£38m
12	Celador	£37m
13	Entertainment Rights	£31m
14	DCD Media	£26m
15	World Productions	£26m

Mediatique's view is that the independent sector in coming years is likely to be dominated by the bigger players with access to the currency of a stock exchange listing or to external funds from private equity groups. The top 20 IPCs in 1993 represented about 20% of the total market for commissioned programming from the independent sector. In 2004, the top five companies were responsible for

¹⁷ Ofcom (August 2007) *Communications Market Report* [Data quoted from Broadcast (2007) *Broadcast Indies 2007 Survey*

40% of the relevant market. By 2014, on Mediatique's estimates, the top five players will represent around 70%, and both the mid market and the long tail will be smaller in terms of numbers of companies.¹⁸

Video and computer games - New consoles are released with increasing frequency, making the industry volatile and reliant on learning new technical skills. The team size required to build a console game since the Playstation1 in 1995 has roughly doubled every time a new console has been developed, in order to deal with the new hardware. The rising cost and complexity of games development is increasing pressure to consolidate independent teams and publishing companies, making it harder for small independents to break into the market.

The growing prominence of online subscription gaming and digital retail may change the face of retail in the industry. There is a strong need for business and project management skills, for businesses to target a more diverse range of consumers and for a greater understanding of the value of intellectual property to the industry.

2.7 Trends

Sector consolidation – the trend towards consolidation throughout the digital media industries looks set to continue with big holding companies buying up stars of the independent TV, music and online world. Examples include News Corp's purchase of MySpace, Google's purchase of YouTube and the activities of All3Media and RDF in the independent television arena. Potential acquirers include the other large entertainment companies such as Viacom, Disney, and CBS. The number of cable and telecom service providers is also shrinking due to merger/acquisition activity, including the purchase of Scientific-Atlanta by Cisco and LSI and RedBack by Ericsson.

Growth of mobile media – the number of mobile devices sold per year has far outstripped the sales of PCs and TVs, As a result, the market offers a significant platform for the addition of features, such as video, cameras, and music. Significant growth is expected in the wireless gaming market, with the US wireless gaming market expected to reach \$1.5bn by the end of 2008, up from roughly \$600 million in 2005. The key driver in the market will be the growing installed base of game-capable handsets.

Pay-per download models – the music industry continues to be the digital media subsector that has made the greatest progress so far in transitioning from offline to online, however the film and broadcast industries are rapidly catching up with paid-for Video On Demand sites being launched by Love Film and 4OD amongst others. The business models for online music are likely to continue to evolve with the pay-per-download business model continuing to dominate the digital media subscription model, while advertising-based models are set to grow rapidly in significance with the launch of high-profile sites such as Nokia's Sideload TV.

¹⁸ Mediatique (September, 2005) *From the Cottage to the City: The evolution of the UK independent media production sector – an independent report commissioned by the BBC*

Advertising embraces digital media – while traditional media still features strongly in advertising spend, there is a clear trend towards embracing new media and advertising spend looks set to increase in this area, largely at the cost of old media spend. Online advertising gains are likely to continue to lead overall growth in the advertising industry as brand advertisers increasingly embrace the internet, while advances in display technologies mean opportunities for interactive billboards. An interesting growth area is the in-game advertising market which, buoyed by the success of the Xbox 360 and Massively Multiplayer Online Games, is expected to grow to over \$730 million by 2010.

Take up of 3G mobile devices – the drop in prices of 3G handsets coupled with attractive bundling packages has seen the take up of 3G mobile devices rise significantly in the last two years. According to the GSA (Global mobile Suppliers Association), 141 operators in 62 countries have launched 3G WCDMA (Wideband Code Division Multiple Access service). The proliferation of 3G handsets and the launch of the Apple iPhone, offering significant capacity enhancements relative to older 2G GSM networks, opens up the market for a range of multimedia services via mobile phones. 3G networks have provided higher speed mobile connection networks that have allowed mobile users to stream television and download clips to their handsets. In addition, trials have begun with the aim of getting broadcasters to efficiently deliver television services to mobile phones.

Bundling of services – there have been numerous incidences of bundling of services by the major networks and providers. Examples include Orange rebranding Wannadoo and offering “free broadband” to subscribers on mobile contracts of over £30 a month and Virgin Media offering fixed rate digital TV, broadband internet and telephone services. Bundling is likely to become more ‘intelligent’ – moving towards true service convergence, rather than a series of stand-alone services being offered under the same marketing and billing umbrella. For example, mobile and broadband bundles could make it possible for subscribers to remotely access their central email and diary functions more seamlessly.

Growth in ad-funded content - The increase in digital TV channels has been vast with over 138 non-terrestrial channels added since 2001. Similarly, radio has been able to offer greater availability and choice through digital distribution and companies such as BBC, Virgin and Emap are increasingly using TV, internet and DAB to their advantage. While digital platforms have allowed broadcasters to target a more narrowly-defined audience with more niche channels, the net effect has been audience fragmentation and the reduction of advertiser spend in the face of an increasing demand for compelling content to fill the huge number of new channels. Ad-funded content provides a solution that works for all. Growth in the ad-funded programming area is considerable. According to the Branded Content Marketing Association, in 2003 the market for branded content on TV grew from £5 million to £22 million. Examples include French Connection Radio, Gillette Soccer Saturday, Orange Playlist and Thomas Cook TV. Ad-funded content looks set to grow further.

2.8 Outlook

Technology advancements and the resultant internet revolution have spawned entirely new modes of social behaviour and interaction. Organisations such as Amazon, Google, iTunes and eBay have harnessed the breadth and diversity of the internet to build strong business models and significant market valuations. The success of these and other large internet-based businesses is a result of the

way they have used advancements in technology to offer a compelling product or service to customers. In doing so, they have changed not only the competitive landscape, but also consumer habits by giving unprecedented choice, control and convenience.¹⁹ The digital media sector continues to grow at a strong pace driven by rapidly evolving media consumption patterns. The key drivers going forward in the digital media industries are likely to be further technological advancements and changes in consumer behaviour, driven by the immediacy of the internet.²⁰

The challenge for regional development agencies is how to create the most appropriate ecosystem for supporting the development and application of new digital technologies alongside compelling content in order to identify and nurture the Amazons and Googles of the future.

2.9 Trends in broadcast commissioning, as relevant to Scotland

Ofcom's 2007 Communications Market report reveals a sharp drop in network production over the last few years in Scotland. Investment in Scottish production from network broadcasters has halved from 6% of their total investment in 2004 to 3% in 2006. The volume of network originations in Scotland has also halved from 4% to 2% of the national total.

The BBC's expenditure in Scotland dropped from 7% in 2004 to 4% in 2006, with a 2% drop in number of originations. The proportion from ITV dropped to a dismally low 2% of total expenditure and, whilst spend from Channel 4 rose from 2% to 3% over the period, the proportion of the network's originations dropped to 1% in Scotland. In the same period, investment in the South East grew by a third.

These figures are disproportionate considering that Scotland makes up 9% of the UK population, with residents watching an average of 4.1 hours of TV per day in 2006 – second only to the North East. However, it should be noted that this report does not give actual value of commissions.

Industry commentators note that there is evidence of a wider commissioning recession, with Channel 4's recent freeze on commissions, the BBC's lower-than-expected licence fee agreement and management changes at ITV and Five. The fear is that this will lead to network commissioners becoming even more risk-averse, sticking to 'safe' suppliers within the M25 rather than broadening their search for regional production.

Scotland also lacks any of the 'superindies' which have dominated the higher-value commissions in recent years, with IWC and the Comedy Unit selling to RDF. There are currently no commissioners in Scotland.

In response to this, the Scottish Executive has set up the Scottish Broadcasting Commission with the goal of defining a strategic way forward for television production and broadcasting.

¹⁹ Oppenheimer (January 2007) *The Digital Consumer: Examining Trends in Digital Media*

²⁰ Oppenheimer (January 2007) *The Digital Consumer: Examining Trends in Digital Media*

3.0 BRISTOL AND THE SOUTH WEST

3.1 Key statistics

3.1.1 South West sector employment²¹

Of total UK sector employment	5%
Total sector employment	10,200
Total permanent employees	6,900
Total freelance employees	3,300
Broadcast television employment	1,100
Independent television employment	700
Digital media employment ²²	2,800

3.1.2 South West commissioning spend²³

Total spend on TV production	£153 million
Of total UK spend on TV production	6%
Total spent by broadcasters on external commissioning	£27 million

3.2 Overview

According to figures published by South West Screen, the media industry in the South West generates around £3.7 billion in revenues and £77 million in GVA.²⁴ In the area around Bristol (the West of England sub-region), the sector is experiencing growth, with a 3% rise in employment and 9% growth in businesses 2001 to 2005.²⁵

Within the South West, Bristol is an established centre for both broadcast and new media production and is seen as a significant centre for media production outside of London. BBC Bristol employs around 1,000 people and is the largest BBC base outside of

²¹ Skillset (2006) *Employment Census 2006 – supporting dataset*

²² Animation, Web and internet, Offline multimedia, Interactive TV, Mobile content and computer games

²³ Ofcom (September 2005) *Television Production Sector Review – a survey of TV programme production in the UK*

²⁴ South West Screen, *Strategy for the Development of the Media Industries in the South West of England*

²⁵ Burns Owens Partnership (2007), *Mapping the Creative Industries in the West of England*, Bristol City Council and partners

London, housing BBC network Specialist Factual Programming, as well as the world famous Natural History Unit and the Animation Unit. 'Casualty' alone generates over £10million for the regional economy.²⁶

In addition to the BBC, the greater Bristol area has recently attracted significant inward investment in the independent production sector, with RDF and Endemol recently having established offices in the city, bringing a reputed 300 jobs to the sector.²⁷

3.3 Support for the sector

3.3.1 South West of England Regional Development Agency - SWRDA (Regional development agency)

Overview

SWRDA is responsible for the sustainable economic development and regeneration of the South West. SWRDA is involved in supporting the development of key industry or sector clusters in the region that can contribute to the success of the regional economy. In order to deliver economic growth, it has identified six core sectors on which to focus their activities. The Creative Industries including audio visual and with a particular emphasis on digital media, are identified as one of these priority sectors.

There is commitment at both a regional and local level to strengthening the digital media sector in the South West and Bristol, with an emphasis on creative content and creative services businesses. The regional development agency are moving to a more focused development model, where targeted investments will be made in businesses with scalability, with a particular emphasis on companies which have the capacity to successfully exploit new technologies.²⁸ Recent research has highlighted issues with the supply of workspace suitable for the media industries in Bristol (i.e. a high demand for current facilities and need for continued, market-led development), which SWRDA and the city council are seeking to address.²⁹

Aims

SWRDA's three current strategic objectives are: successful and competitive businesses; strong and inclusive communities; and an effective and confident region.³⁰

The region's four priorities relating to creative industries are to:

- Develop 'creative places': stimulating, supporting milieu to nurture and sustain creative and economic activity.
- Ensure access by individuals and small firms to information, intelligence and ideas.

²⁶ South West Screen (2005) *Strategy for the Development of the Media Industries in the South West of England*

²⁷ SWRDA (2007) *Invitation to tender for the South West Creative Industries Programme*

²⁸ SWRDA (2007), *Unlocking the creative business potential of the South West: South West Regional Development Agency's Creative Industries Strategy*

²⁹ nmp (2007), *Bristol Creative Workspace Study*, SWRDA

³⁰ SWRDA (2006), *Regional Economic Strategy for South West England 2006-2015*

- Provide support to realise the commercial potential of creative businesses: in education and at start up and growth stages. This includes support to make the best use of Intellectual property.
- Open access to new markets in other sectors and globally.

What they offer

SWRDA is currently tendering for the provision of a creative industries support programme, over a three year period. The priorities of this programme have been derived from the Creative Industries Strategy outlined above; the development framework is as follows:

1. Industry fora and clusters
2. Basic start-up/survival toolkit
3. Graduate retention and progression
4. High growth and investment readiness
5. Skills development
6. Business innovation and 'convergence' programmes
7. Promotional platforms and external marketing
8. Infrastructure: 'flagship' projects
9. Evidence and intelligence
10. Branding and internal marketing

SWRDA launched the Bristol+ fund in March 2007. The fund aims to identify projects that will enhance and exploit the region's strengths and international stature in the creative media, design and technology sectors. Media Sandbox and Light Up Bristol are the first recipients of this investment.

Level and source of funding

As a Regional Development Agency, SWRDA receive funds from central government.

3.3.2 South West Screen (Screen Agency)

Overview

South West Screen supports the cultural and economic development of film, television and digital media in South West England.

Aims

South West Screen's programmes are designed to:

- Build the capacity for growth of the film, TV and digital content industries in the region
- Drive innovation and the sector's understanding and adoption of changing technologies
- Support the development of individual and professional creativity and talent

- Increase access to moving image by enabling more people to make, show, see and discuss it

What they offer

South West Screen concentrates on building capacity and infrastructure that will help individuals, organisations and business to develop. The organisation does not give funds directly to individual film projects. Programmes are delivered both directly by South West Screen, and indirectly by their Cluster Groups and other partners.

South West Screen articulates its five core areas of activity as:

- Informing and influencing opinion - to shape the national and regional decisions and policies and to raise awareness of the sector's importance
- Awakening and nurturing creativity - enabling existing screen practitioners and newcomers to expand their skills
- Giving grants - to build capacity, support talent, encourage best practice and innovation
- Providing information, advice and assistance
- Taking action to expand access and diversity – for example through community work

South West Screen's Business Support Programme develops media companies' capacity to operate and grow as successful businesses, enabling new and existing market opportunities to be exploited. With over 2,000 members, the Clusters encourage companies to come together to network, establish partnership projects and share best practice. They provide scale and focus with a collective profile which attracts national attention. Bristol Media is the cluster for the city region.

Level and source of funding

In 2006/7 £37m of inward investment was attracted to South West Screen, with 193 awards worth £540,564 and direct investments of £654,765. Major funding is attracted from the South West Regional Development Agency, for whom South West Screen is Media Creative Industries partner.

Digital Shorts

Overview

Digital Shorts is South West Screen's only production funding. It enables the agency to commission eight or more innovative proposals for short moving image projects a year from South West-based filmmakers. The aim of the scheme is to encourage new approaches to digital story-telling, for any format from cinema screens to mobile phones.

Through Digital Shorts, South West Screen provides production budgets, intensive development workshops, one-to-one script consultancy, management expertise and helps successful applicants to recruit professional actors and crew.

Value of fund in total

£40,000

Source of funds

Digital Shorts is a UK Film Council initiative.

Number of companies supported

Eight or more companies per year receive this award.

Criteria for awards

Films must be at most 10 minutes in length, with budgets of under £10,000. Any ideas are welcome but South West Screen is primarily looking for ideas which are suitable for a range of distribution platforms with a clear sense of the intended audience. South West Screen looks for ideas submitted by individuals based in the South West and who will benefit from making a digital short. It also expects original ideas that are realisable within the budgets.

Awards granted

Eight short films have been given awards in 2007/08, including:

Father's Footsteps

Luke and The Void

In association with Aardman Animations: *Francis Cooper*

In association with Creative Partnerships and Calling the Shots: *Breathe, Little Face, An Average Day for an Average Refugee*

In association with The Engine Room, Bridgwater and PVA, Bridport: *Isaac, Bunny Girl*

Support packages for attending international trade events**Overview**

South West Screen provides mechanisms for South West companies to expand into international trade and ensure success in the global market place. In partnership with UKT&I and PACT, the agency has delivered a number of proactive initiatives aimed at promoting participation at key international sales events and business conferences.

Value of fund in total

In 2006/7 the fund awarded £12,512.12 in trade events bursaries.

In 2005/6 the fund awarded £19,899 in trade events bursaries.

Source of funds

The agency works in partnership with UKT&I and PACT.

Number of companies supported

In 2007, the agency supported 16 individuals and companies.

Criteria for awards

Only individuals and companies from the South West region are eligible for support and they will have to pay at least 50% of the fees for attending international trade events. The agency is currently looking to support companies to attend Real Screen TV Festival and Berlin Film Festival. If a company applying for support is termed as a 'New Exporter' (with less than 25% of turnover coming from overseas), then they may be entitled to a Tradeshow Access Programme Grant of £1800 for attending the UK Indies Pavillion.

Awards granted

In 2007 South West Screen supported 6 South West companies to attend the UK Indies Pavillion at MIPTV; 2 individuals to attend the American Film Market, 3 companies to attend the Toronto Film Festival and 5 freelance writers/producers to attend Cannes Film Festival. Recipients of these bursaries include: Arthur Cox Limited, Wildfire Communications, Frames of Reference Films, Touch Productions, Essence Communications, Wildscreen, Liquorice Films Ltd. and individuals.

Talent Development Fund**Overview**

This award supports both organisations and individuals. The agency is particularly keen to support projects submitted by organisations which aim to develop a group of people through a series of linked events. Individuals can apply for funding to support training and mentor schemes or to develop a project, such as a feature film idea or script.

Value of fund in total

SW Screen invested £244,012 in talent development in 2006/7

Source of funds

South West Screen distributes National Lottery funding on behalf of the UK FILM COUNCIL through RIFE (Regional Investment Fund for England).

Number of companies supported

South West Screen made 34 awards for talent development in 2006/7.

Criteria for awards

For organisation projects, SW Screen is looking to support applications which will deliver at least one of the following: script development initiatives or mentoring schemes run by nationally recognised organisations in the South West, development initiatives

which include both production and distribution elements, innovative ways of developing creative talents, projects which work with disadvantaged groups or fit with the media literacy agenda.

For individual support development projects, SW Screen is looking to support projects that demonstrate career development which could include: support towards individual training/development bursaries, attendance on script development schemes or working with an industry recognised script editor, support for mentoring from a recognised industry mentor, support for feature film development where the applicant comes with an expression of third party support and innovative approaches to developing individual creative talent.

Awards granted

In 2006 PVA Medialab was awarded £5,000 in talent development funding to support their High Definition Lab.

South West Screen professional development projects include:

- individual training bursaries to help with the cost of updating skills
- subsidised rates for specific training courses and help with identifying appropriate training solutions
- signposting other organisations and services that can assist with professional development
- creative advice or mentoring on project development
- funding for innovative production and distribution projects

Alliances for Convergence Programme

Overview

The scheme was set up in 2005 to supported 'Alliances' made up of 3 or more micro/small businesses and freelancers in the Film, TV and digital media industries. The aim is to develop ventures that would bring innovative business ideas and opportunities to success in the market place. Awards are made under two strands – 'Production Alliances' and 'Innovation Alliances'.

Value of fund in total

This year, the Alliances Scheme is offering grants of up to £10,000 to support the early development of ideas surrounding the convergence of technologies and content in the media sector. In 2005/6 the fund awarded £164,000 into 21 new projects.

Source of funds

The scheme is supported with funding from the European Social Fund, and the South West Regional Development Agency.

Number of companies supported

In 2005/6 the scheme supported 21 projects. In 2006/7 the scheme supported 23 projects involving 69 individuals.

Criteria for awards

Focusing on convergence (the creation/exhibition/use of moving image content within a digital domain), the scheme is looking for projects which develop one or more of the following:

- new products, processes or services;
- new business models;
- access to new markets;
- innovative solutions to existing demands

Awards granted

Ammonite with Big Squid and Simon Sleath used 'Alliance' funding to produce a 10 minute pilot for an innovative natural history programme aimed at a family audience. The 'Alliance' has now secured a commission from the BBC worth over £600,000.

Nick Mackie (Shufti), Peter Avery, and Miki Cash developed the animation 'Cockney Coppers' through their 'Alliance'. In 2007 the project was accepted into competition at Annecy Animation Festival.

Media Innovation Labs

The Media Innovation Lab ('MIL') project funded innovation workshops for SMEs in the creative media sector. The MIL consisted of an intensive one to three day workshop run by an experienced facilitator, and which allowed a small team of experts to explore innovation ideas surrounding creativity and technology.

3.3.3 Bristol City Council

Overview

The council also aims to maximise the potential for the creative industries to contribute to wider policy areas of social, economic and cultural regeneration, social inclusion and community cohesion.

Aims

Bristol City Council aims to increase the sustainability, growth and productivity of the creative industries and maximise their potential to contribute to the city's prosperity.

What they offer

There are a large number of agencies and umbrella organisations in the city who act to support individuals and businesses in the Creative Industries Sector. The City Council works with partner agencies to deliver actions that meet their objectives. The council takes a supporting role, facilitating initiatives and, where appropriate, co-coordinating networks, rather than delivering particular services directly.

The key areas of activity in Bristol City Council's creative industries strategy are³¹:

1. Source and measure the size, economic value and social impact of the Creative Industries in Bristol to provide an evidence base for all initiatives
2. Improve networks and signposting by providing information and contacts to creative businesses
3. Promote the profile and strengths of Creative Industries in Bristol locally, nationally and internationally
4. Support the development of and provide information on appropriate workspaces, infrastructure and premises for Creative Industries
5. Promote available funding in order to maximise take up by Bristol's Creative Industries
6. Co-ordinate business support and promote training and professional development programmes for individuals and businesses within the Creative Industries
7. Improve employment creation in the sector
8. Assist the industry in finding new routes to market

3.3.4 Bristol Media

Overview

Bristol Media is an active network for companies and individuals who are part of the city's lively and fast-growing creative media scene. It is one of the 'Clusters' which form a key element of South West Screen's Business Support Programme.

Aims

Bristol Media aims to promote the growth and prosperity of the city's creative media sector.

What they offer

Bristol Media is involved in media (screen and digital) and music. It acts as a network for the city's fast growing media scene. Throughout the year, Bristol Media offers its members advice, news, information, training and a varied range of networking and social events, including a monthly members' night.

Future plans include an annual publication to bring together the creative talent of Bristol, a business focused conference for creative sectors and an arts festival encompassing music, digital, film and animation for 4-6 weeks in the summer.

Light up Bristol is a public showcase of digital creative talent in Bristol city centre. For five nights in December 2007, festive moving images were projected across the whole of the Council House, College Green and Bristol's Cathedral. The event includes specially created films and animation by some of Bristol's leading creative talent. Light Up Bristol is produced by Bristol Media, iShed, and West of England Design Forum, supported by Bristol City Council, SWRDA, South West Screen and corporate sponsors including Endemol West and E3.

³¹ Bristol City Council (2005), *The New Energy: Creative Industries Strategy for Bristol*

Level and source of funding

As a key regional Cluster, Bristol Media is funded by South West Screen.

3.3.5 3C Research

Overview

3C Research supports collaborative research projects involving universities and commercial organisations, both large and small, in the fields of digital media and communications. 3CR's research programme brings academic and commercial members together in executing challenging collaborative projects. The initiative puts together all the elements of end-to-end solutions for content creation, processing, management and distribution over both wired and wireless communication networks.

Aims

3CR creates an environment where a wide variety of industry players come together to share their perspectives and skills in order to understand emerging markets and to create and realise new solutions.

What they offer

3C Research (3CR) is a not-for-profit members company. They support collaborative research projects involving universities and commercial organisation, both large and small, in the fields of digital media and communications. 3CR provides the infrastructure for collaborative research. 3CR can provide any or all of the following services to commercial companies and research organisations wishing to engage in collaborative research:

- project management
- financial management
- intellectual property management
- marketing
- dissemination and exploitation of project results
- networking events

They act as a project manager and lead on bidding for funding from DTI, Arts and Humanities Research Council.

3.3.6 iShed

Overview

iShed Community Interest Company delivers cultural brokerage which connects organisations, knowledge and research through collaborations across the media, arts and technology sectors. Part of Watershed (a well established media centre in Bristol City Centre), the iShed CIC has been established to work in partnership with commercial companies to maximise related opportunities. iShed supports individuals, SMEs and organisations working with the Creative Economy to fully exploit the commercial and creative potential of new technologies.

Aims

Working with academic, commercial and cultural partners, iShed has been set up to identify new opportunities, support talent and incubate ideas with a focus on digital media and technology.

What they offer

Activities range from investment and commissioning to events and advocacy. The organisation's stated activities include:

- Ideas: By supporting new creative ideas in the form of mentoring, project management and funding, iShed will provide early stage support to the point where they are fundable by existing mechanisms.
- Knowledge Exchange: Through the publication and dissemination of research and case studies, iShed will share its learning to build awareness, knowledge and confidence within the wider national and international creative community.
- iShed is also involved in relevant industry networks, for example Dorkbot - a monthly networking event for artists, filmmakers, scientists, programmers, architects and designers

Level and source of funding

Funding for iShed was secured through Mission Models Money and Arts Council England, with start-up funds agreed for two years. This has primarily been used for running costs and investment in communications.

Strategic focus

For the initial phase, iShed is focussing on projects which investigate pervasive media via their Media Sandbox scheme (see below), and personalisation (mostly action research) projects.

Media Sandbox

Overview

Media Sandbox is a new commissioning scheme to support individuals, companies and organisations in the South West to research emerging possibilities in digital media. A three-month integrated programme of seed funding, brokerage, events and business support will help to develop ideas from initial concept to the pilot or prototype stage.

The theme for 2007/2008 is pervasive media. By supporting a community of research around this theme, Media Sandbox intends to encourage business growth, share knowledge with the wider sector and reinforce the reputation of Bristol and the South West as a centre for cutting-edge R&D.

Source of funds

Media Sandbox is managed by iShed working with South West Screen with support from South West Regional Development Agency, Business Link, Futurelab and Watershed. This includes funding from SWRDA's Bristol+ fund.

Number of companies supported

Media Sandbox will announce six investments in January 2008.

Criteria for awards

Projects must exploit opportunities in digital media presented by pervasive computing/wireless technologies.

Awards granted

Each commission gets:

- £9,000 R&D commission
- Opportunity to focus intensively on development of new idea
- Programme of business support
- Early access to emerging technologies
- Promotion and exposure as part of a larger scheme
- Inclusion in national PR campaign
- Community of potential collaborators for future projects

From January 2008, participants will be given three months to develop the pilot, during which time they will attend community events, seminars and demonstration days. Media Sandbox will conclude with a showcase event and a national PR campaign.

Creative Technology Network**Overview**

From broadcasting, games and animation to design, visualisation and mobile media, the Creative Technology Network brings together individuals and organisations from across computing, communications and the creative industries.

Aims

With a focus on cross-sector networking and collaboration, the year-round programme of events, workshops and showcases seeks to establish an active community from across academia, industry and the arts, to share good practice, support innovation and enhance research.

What they offer

The CTN organise a range of events that offer access to new ideas, new partners and new projects.

Level and source of funding

The network is run by iShed and 3C research.

3.3.7 Futurelab

Overview

Futurelab is an organisation concerned with encouraging innovation in education.

Aims

The organisation aims to transform the way people learn through innovative technology and practice. Through their research and development projects Futurelab aims to:

- Put innovative ideas into practice by creating prototypes that support new approaches to teaching and learning.
- Offer large-scale practical demonstrations of new approaches to teaching and learning with ICT.
- Offer space for experimentation and the exchange of ideas between people from different fields.

What they offer

Futurelab work in partnership to:

- Incubate new ideas, taking them from the lab to the classroom.
- Share hard evidence and practical advice to support the design and use of innovative learning tools.
- Communicate the latest thinking and practice in educational ICT.
- Provide the space for experimentation and the exchange of ideas between the creative, technology and education sectors.

Level and source of funding

Futurelab is a not-for-profit organisation.

3.4 Infrastructure and geography

3.4.1 Company base

Bristol has major strengths in the creative digital sector. Skillset data shows significant emphases on animation and web design in the South West compared to other regions. The city has a long-established base in this area of work; Aardman Animations and Bolex Brothers are the leaders in Bristol's world class animation industry built around clusters of creative talent. A strong private sector is augmented by innovative contributions from public sector organizations, Watershed and from social projects like the Knowle West Media Centre. The region is home to some significant businesses including E3 Media, Fictitious Egg, Green Umbrella and Touch Productions.

3.4.2 Creative talent

There are over 7,700 creative students at 13 colleges and universities across the South West, as well as several thousand students whose work covers technical areas of digital media - many of which are leaders in their respective fields and all of whom have

developed strong and synergistic links with business.³² The strong Higher Education provision for media and new media in Bristol—particularly from UWE – means that there is a significant base of highly skilled graduates in the city establishing successful digital businesses.³³ Bristol is becoming increasingly attractive as a university destination for potential undergraduates, and is also becoming increasingly successful at retaining its graduate digital media talent as the number of London indies locating in the city increases and as the nascent new media sector grows organically.

The region has strengths in various audio-visual activities, including television and some forms of digital content and creative services. Across the sub sectors, in value chain terms, the region is relatively strong in ‘creation and origination’: i.e. creative people and ideas³⁴

3.4.3 Studios and workspace

The relative downside to the growth of the digital media industries in Bristol is that it is driving up property values and making it increasingly difficult to secure appropriate property for media businesses. Recent research shows that lack of appropriate workspace for the sector within the city centre itself may be behind the slight decline in the number of sector employees within Bristol. Businesses are looking outside the city boundary for appropriate space, particularly in North East Somerset.³⁵

However, there is a range of development projects intended to provide more workspace for the sector: *Watershed* are intending to create 10,000 sq ft new space over 3 floors. This will provide a public-facing innovation R&D showcase of active projects, Watershed offices and expansion of eMedia UWE space; *Paintworks*: intended extension to the existing facilities in phases 2 and 3, with conversion of a single building into 8 offices with 7 new build apartments on the roof and an additional 5 acres developed in phase 3; *Knowle West Media Centre*: Knowle West community media training company are currently building their own media centre with purpose built workspace (9,360 sq ft for incubation, 764 sq ft for pre-incubation). The facility will provide access to specialist equipment and has a strong community and regeneration focus. *The Depot and Creative Depot* development could significantly increase Bristol’s capacity. See below.

3.4.4 Sector support

As illustrated above, the audiovisual sector is served particularly well in Bristol, reflecting the size and maturity of this sector in the area. There is a particularly strong provision supporting cutting edge research and experimental projects in the creative use of technology in digital media settings.

³² www.southwestrda.org.uk/

³³ nmp (2007), Bristol Creative Workspace Study, SWRDA

³⁴ Burns Owens Partnership (Mar 2007) *Creative Industry Collaborations*

³⁵ nmp (2007), *Bristol creative industries workspace report*, SWRDA

3.4.5 Transport and communications

Bristol benefits from strong transport links, particularly to London down the M4, with rail connections to the capital of less than 1.5 hours. The South West also benefits from air links to destinations across the UK and Europe.

3.4.6 Regional geography

Bristol (and Bath) is arguably the most attractive regional production centre for London based indies because of its proximity to London and the good transport links. In addition, many middle and senior management personnel live in the region, thereby making it more attractive to work closer to home whilst having excellent access to the buyers. This is making it relatively easy to attract companies to locate in the region, even without the existence of the equivalent to the Regional Attraction Fund.

3.5 Significant developments

3.5.1 Creative Depot

The Depot is a mixed use development within three buildings (two refurbished and one new) on a five acre site near Temple Meads station. Within the Depot development, 21,500 sq ft will be designated for affordable workspace and training for the creative industries (14% of the total office / commercial space), with approximately 30 units aimed at high-end desk based creative companies from a mix of sub-sectors. The developer will lease the affordable workspace to a not-for-profit organisation providing skills training and workspace / incubator space targeted towards the creative industries. Exact facilities are to be confirmed.

Commercial tariffs in the Depot are envisaged to be £17.50 to £20 per sq ft including fit out, air conditioning, management and service, with discounts for long term leases or as a shell. There will be informal negotiation of rent depending on status of tenant companies and what they contribute to the Depot. SWRDA have recently been considering whether to contribute the capital costs of the Creative Depot.

3.5.2 Watershed Media

Watershed provide a venue as a 'hub' for creative businesses, including University of the West of England incubation units and commercial venue facilities, as well as community informal networking and has recently put in a funding application to extend the services they offer, including workspace. Watershed is intending to create 10,000 sq ft new space over 3 floors. This will provide a public-facing innovation R&D showcase of active projects, Watershed offices and expansion of eMedia UWE space.

3.6 Company profiles

3.6.1 Touch

Established over 17 years ago, Touch Productions Ltd has built an enviable reputation as a producer of high quality factual programming for all the UK's major broadcasters. Recently, Touch has grown dramatically. This was achieved by developing a range of initiatives with broadcasters, regional producers, the South West Regional Development Agency and South West Screen to build

and support existing and new production talent within the area. Touch has been at the forefront of nurturing a regional cluster of creative companies and individuals as well as establishing an 'open door' policy for ideas across the whole of the South West.

Touch established and co-funded an innovative pilot scheme with the regional screen agency and Channel 4 to build a network of smaller regional companies and freelancers to develop new programmes across a wide variety of genres. This innovative model of strategic alliances and collaboration arrangements helped Touch to create a strong base of new and established talent. This resulted in commissions – at both BBC 3 and Channel 4.

Touch also secured a two-year slate development deal with Channel 4 International (worth £100,000) to assist in developing stronger relationships with overseas broadcasters and increased levels of co-production. South West Screen has provided only a small amount of financial support in enabling Touch to make the required connections in the USA that have been so productive for the company. They have also been key in facilitating the development of partnerships with the various broadcasters by bringing buyers to the region and by supporting networks across a geographically dispersed region to achieve some scale. The key contribution from the public sector has been in advocacy and in opening doors rather than in substantial sums of grant or investment funding.

3.6.2 E3 Media

E3 is a full service digital agency with 60 staff working in both Bristol and London studios. Their core areas of activity are digital brand development, websites, marketing/advertising, web 2.0, audio/video/motion and mobile.

Clients include Orange, Peugeot Citroen, Toni & Guy, O2, SWRDA, fcuk and Halfords.

Achievements in 2007 include being voted 'South West digital agency of the year' by their peers, they are currently 5th in Design Week's digital top 20 and Revolution magazine ranked E3 11th out of 395 agencies in their Client Satisfaction Survey.

3.6.3 Aardman

Aimed at the UK's top animators, 'Animation Bridge' was a training programme designed and delivered in partnership with South West Screen, Aardman and Dreamworks (US). The project helped highly skilled practitioners in traditional animation transfer their skills to the digital world of CGI (Computer Generated Imaging), significantly improving the UK industry's ability to compete in global markets.

Comprising a 12-week 'Stop Frame to CGI' course at Aardman and master-classes in Bristol, Bournemouth and London, the impact of 'Animation Bridge' is that seven highly skilled stop frame animators are now able to create CG animation to feature film standard and ninety-two delegates to the master classes gained considerable insight into the principles of skills transfer from stop frame to CGI.

The programme was funded by South West Screen with Aardman and Dreamworks providing the delivery expertise. Trainees received training from highly skilled and credible practitioners and Aardman benefited from access to a deeper pool of talent.

3.7 Summary

Bristol has traditionally been home to producers driven by a desire to make high quality natural history programmes as well as having a strong association with animation. This is clearly changing with the city's success as an inward investment location for major London based indies such as Endemol (producing *Deal or No Deal*), and RDF as well as indigenous producers such as Touch achieving significant international growth in the USA. These developments have added scale to the sector in the region by providing some 300 permanent new jobs and variety in the genre and style of production through returning series, game shows and retained IP for international exploitation. Crucially, the presence of major new media technology companies such as Hewlett Packard, Orange and Nokia has encouraged the development agency to focus on driving growth through digital media rather than simply TV production.

The geographical proximity of Bristol to London and its qualification for regional production quotas give it a real advantage when London based indies are looking for a regional production base – as demonstrated by the successful location of Endemol and RDF into the city. Along with the RDA's public commitment to the creative industries, this has added to Bristol's already strong reputation as a vibrant, rapidly growing media sector outside London.

SWRDA takes the view that there are a number of creative clusters that are established and ready for development. They are now actively looking to develop the sector and the region as a 'creative region.' The RDA and the screen agency have a good working relationship, with South West Screen having been appointed as a Lead supplier in SWRDA's new framework delivery plan for delivering growth in the creative industries. Both organisations have adopted a strategic focus on digital media and a programme of measures are about to be implemented through a £3million package of company and sector support. This focus on assisting IP owning companies to exploit their secondary rights has led to the region developing a reputation as a good place from which to take advantage of the forecast industry expansion.

The focus on digital media has also been adopted as means of building on and further developing co-production, joint ventures and more collaborative working and ongoing innovative business models.

There are two apparent gaps in provision in the region:

1. The lack of indigenous investment infrastructure. There is a lack of local venture funds and easy gateways to investment. This is perhaps a negative result of the region's proximity to London.
2. The relative lack of locally based buyers, distributors and access to markets.

The implications for Glasgow are numerous. In the traditional TV sector, our feedback is that competition will become more intense for nations and regions seeking to attract London indies looking for a regional base. Because of its geographical location, Bristol has a strong advantage over any other regional centre in being able to attract those targets. In some of the key technology sectors, Glasgow

has lost ground in that major international technology companies such as Nokia and Hewlett Packard and network operators such as Orange have already chosen Bristol as a location for their innovation labs in the UK.

4.0 MANCHESTER AND THE NORTH WEST

4.1 Key statistics

4.1.1 North West sector employment³⁶

Of total UK sector employment	8%
Total sector employment	11,300
Total permanent employees	7,100
Total freelance employees	4,200
Broadcast television employment	1,400
Independent television employment	2,400
Digital media employment ³⁷	2,500

4.1.2 North West commissioning spend³⁸

Total spend on TV production	£210 million
Of total UK spend on TV production	8%
Total spent by broadcasters on external commissioning	£36 million

4.1.3 Overview

The North West is widely regarded as the largest media production centre outside London and the South East. Within the North West, Manchester is a large and established broadcasting centre and home of the leading regional TV centre outside London. BBC North West is based in Manchester with departments including News and Current Affairs, Radio and Music Factual, Religion and Ethics and Entertainment and Features. Granada, also based in Manchester, is the longest continuous independent television licence holder in the UK. It produces a significant amount of network and regional programming, including Britain's longest running soap Coronation Street.

The North West – and particularly Manchester – is recognised as having a thriving creative industries sector, which supports the city's strengths in digital media. In 2004, the Creative, Digital and New Media sector (note: this includes all the 13 creative industry sub-

³⁶ Skillsset (2006) *Employment Census 2006 – supporting dataset*

³⁷ Animation, Web and internet, Offline multimedia, Interactive TV, Mobile content and computer games

³⁸ Ofcom (September 2005) *Television Production Sector Review – a survey of TV programme production in the UK*

sectors, as defined by DCMS) employed 60,000 workers in Greater Manchester. In 2003 this sector generated £1.9billion of GVA within Greater Manchester.

There is evidence that this wider creative sector is growing strongly in Manchester: between 1998 and 2003:

- sector employment grew by 3.4% between 1998 and 2003, well above regional and national averages.
- GVA grew by 5.5% per annum, higher than both the averages for the North West at 3.2% p.a. and the UK at 3.5% p.a.³⁹

Recent estimates predict continued growth in the sector for the next 15 years at least.⁴⁰

4.2 Support for the sector

4.2.1 North West Development Agency – NWDA (Regional Development Agency)

Overview

NWDA is responsible for the sustainable economic development and regeneration of the North West. Its five key priorities and areas of work are: Business; Skills & Education; People & Jobs; Infrastructure; Quality of Life.

NWDA is involved in supporting the development of key industry or sector clusters in the region that can contribute to the success of the regional economy. In order to deliver economic growth, the NWDA has identified six core sectors on which to focus their activities. The Creative Industries and Digital Industries, including audio visual, are identified as one of these priority sectors.

Aims

The NWDA cites that the development of a world class creative and digital business sector has the potential to create up to 10,000 jobs and add £170 million to the regional economy, with additional benefits throughout the Northwest.⁴¹

What they offer

The NWDA's proposed *Digital and Creative Industries Sector Development Plan*⁴² sets out a framework for support and investment in the sector to build upon the strong existing cluster of Digital and Creative businesses. It states that 'one of the most important ways in which the Northwest can market itself and its businesses on an international stage is to showcase its world class cultural spaces and commercial infrastructure in order to attract new investment.' The sector development plan aims to match this vision with a programme of strategic interventions that will help transform the profile and performance of the Northwest's digital and creative businesses in global markets whilst attracting inward investment from the world's leading technology and media businesses – the mediacity:uk development is at the heart of this ambitious plan.

³⁹ Manchester Enterprises (Sep 2007) *CIDS Development Services Demand Study*

⁴⁰ Manchester Enterprises (Sep 2007) *CIDS Development Services Demand Study*

⁴¹ <http://www.nwda.co.uk/areas-of-work/business/key-sectors/creative-and-digital.aspx>

⁴² NWDA (Aug 2007) *Digital and Creative Industries Sector Development Plan*

The *Sector Development Plan* sets out the region's aims for the creative industries, which include:

- With mediacity:uk as the driver, increase Northwest share of UK GVA from Digital and Creative Industries from its present 9.3% to 15% by 2015 – to achieve this we will need to grow GVA from Digital and Creative Industries in the Northwest by £1 billion per annum, year on year.
- Secure investment of at least one significant global technology business alongside the BBC in Phase 1 of mediacity:uk by 2010.
- Identify the Northwest as the number 1 convergent media cluster in Europe and in the top 3 globally by 2020, with mediacity:uk at its heart.
- Create an 'open innovation' system centred on mediacity:uk from which a world leading convergent media business can emerge in the next decade.
- Build upon the existing competitiveness of UK ICT companies and improve 'e-readiness' ranking from 7th in the world by 2015.

In order to achieve these aims, the strategy looks beyond the sector in seeking to capitalise on existing sources of competitive advantage within the Northwest.

- The Northwest's Universities, colleges and private sector training providers will have an opportunity to demonstrate that they can meet the demand from high growth companies for individuals with world class, specialist skills.
- Adopting the recommendations of the Cox review, all parts of private and public sectors are to embed design and creativity into manufacturing, business processes, public sector procurement and educational thinking.
- Working in partnership with the region's leading Financial and Professional Services, businesses will identify new investors and match them with world class business propositions from entrepreneurs around whom a high value, high growth cluster can be built.

Level and source of funding

As a regional development agency, NWDA is funded by central government.

4.2.2 North West Vision + Media (Screen Agency)

Overview

North West Vision + Media exists to grow the TV, film and digital media industries in England's North West.

Aims

North West Vision + Media aims to make the Northwest film and television sector the most vibrant, innovative, sustainable and ultimately successful in Europe. With the principal aim of increasing the amount of television and related production activity taking place in the Northwest, their strategy has hinged on helping the region's independent production companies to grow.

What they offer

North West Vision + Media deliver a varied programme of business development activity across the region through its two major economic funds, the Regional Attraction Fund (RAF) and the Merseyside Film and TV Fund (MFTVF). This funding has contributed to growth in the region – a significant rise in productions and a doubling of the independent TV sector in Manchester.

Level and source of funding

In 2003, North West Vision secured £6 million of European Objective 1 funding to strengthen and develop the industries in Merseyside, with the aim of providing 200 jobs and supporting 75 businesses over a three year period. In 2003, North West Vision also distributed nearly £500,000 of Lottery funding. North West Vision opened its Regional Attraction Fund in late 2004, to support high growth television companies based in the region and independent companies seeking to move production to the region. It has already secured £1 million of funding from NWDA for this and is working to secure the next tranche.

North West Vision distributes money from 3 main sources: National Lottery funding, the Regional Attraction Fund and the Merseyside Film and TV fund.

Regional Attraction Fund***Overview***

Launched in 2004, the Regional Attraction Fund is used to attract independent film and television makers to the region, as well as supporting the industry's high growth companies in the Northwest. The funding aims to encourage the best television companies to produce in the Northwest and will support and help grow local companies. The focus has been to develop funding awards around individuals, for example producers who have left BBC and are looking to use their contacts and set up on their own, or individuals working in London who want to get back to the North. North West Vision and Media state that they are very keen to invest in an individual who wants to stay and develop work in the region, rather than in a token regional office of a London indie looking to benefit from regional quotas.

Value of fund in total

The initial value of the fund was £1m (in 2004). The next tranche (£6m) was secured in 2006 and must be delivered by 2009.

Source of funds

The funding is delivered through North West Vision and comes from NWDA which is in turn funded by central Government.

Number of companies supported

To date, the fund has made direct awards to over 44 companies, helped to support over 145 jobs and leveraged over £15 million of additional turnover within the sector.

Criteria for awards

The Regional Attraction Fund provides two strands of support: Company Development & Product Development. The Company Development strand provides grant support of between £5,000 and £100,000 for high-growth companies looking to develop their infrastructure, to access new markets and to significantly expand the scope of their operations within the North West. The Product Development strand provides recoupable investments of between £1,000 and £25,000 for the ring-fenced development of both linear and interactive media content. This can include, inter alia, broadcast TV, computer games, electronic publishing, e-learning, mobile content and web-based applications.

The screen agency is particularly interested in awarding those activities which promote diversification into new genres, media or markets; research and development; the setting up of joint ventures and co-productions with other companies; the strengthening of relationships with commissioners, publishers, distributors and platforms; the improvement of market intelligence and the engagement of key staff who can bring in new skills, experience and contacts.

Any company can apply that has been actively trading for a minimum of 12 months, has a minimum turnover of £100,000 and has a permanently staffed base in Cheshire, Cumbria, Greater Manchester, Lancashire, Liverpool, Manchester & Merseyside.

Awards granted

The largest single awards to date through the Regional Attraction Fund have been to Channel K, Baby Cow, Manchester and Hat Trick North, each receiving £60,000 in grant support. The RAF has also attracted Shine North and October Films to the North West. It has also been used to fund large scale training schemes.

Merseyside Film and Television Fund

Overview

The Merseyside Film and Television Fund can support company development activity for TV production companies already based in Merseyside or those locating into the region.

Source of funds

The Merseyside Film and Television Fund is funded via Objective 1 funding.

Number of companies supported

In 2005/6 five awards were made. In 2004/5 six awards were made.

Criteria for awards

To apply for the Merseyside Film and TV Fund companies must:

- Be based in Merseyside, locating to Merseyside within 3 months of application or developing a joint venture with a company based on Merseyside;

- Demonstrate a business proposition that will benefit the Merseyside economy in terms of jobs and/or turnover;
- Show commitment to the development of the film/television/digital media industries in Merseyside;
- Meet the Small to Medium Enterprise criteria - less than 250 employees, annual turnover less than 40 million Euros, annual balance sheet not exceeding 27 million Euros

Awards granted

Investments in individual productions range from £25,000 to £250,000. Productions financed in 2005/06 were *Big Dippers* (award granted: £60,000), *Offside*, *Sparkle* and *Grow Your Own* (formerly *The Allotment*). One short film was also financed: *Putting Down Roots*.

4.2.3 Manchester City Council

Overview

Manchester city council is well known for recognising early on the potential for the city to capitalise on its creative assets. The council now takes a joint approach to sector development along with NWDA and other partners in the region.

Aims

Manchester's City-Region Development Programme identifies six sectors that offer the most potential for accelerated growth. Two sectors specifically relate to digital media: Creative / Digital / New Media and ICT Digital / Communications. In 2005 the council worked with partners on a Manchester Enterprises-led Creative Industries Action Plan - a blueprint defining how business support in the sector should be delivered.

What they offer

Manchester City Council support the growth of the digital industries through three main agencies: Manchester Digital Development Agency, Manchester Enterprises (the city's economic development agency) and the Creative Industries Development Service.

Manchester Digital Development Agency (MDDA)

Overview

Manchester Digital Development Agency — a part of Manchester City Council — is the lead organisation for developing and coordinating the delivery of a digital strategy for the Manchester region.

Aims

The MDDA aims to ensure that Manchester continues to embrace the opportunities of the digital economy and maintains its position as a lead city in the effective use of technology for achieving economic success and social inclusiveness.

What they offer

The organisation's activities include:

- The development of new software tools, including a new suite of communications tools for use across the public sector.
- Collaborating with local authorities across Greater Manchester to share good practice and work together on joint projects.
- Working with communities to use new technologies to ensure better access to local services.
- Providing business support to enable small businesses to benefit from broadband technologies through working with partners including ChamberLink.
- Developing the digital industries in Greater Manchester through support of the trade association Manchester Digital.
- Working with learning providers to develop e-learning materials for lifelong learning.
- Collaborating with innovative arts projects, such as Arts Magnet and Let's Go Global on their use of new technologies.
- Supporting community websites such as Eastserve, MyManchester and WythIT in their adoption and use of ICT.
- Research and development collaboration with the University of Salford, 17 European cities, 20 ICT companies (including Nokia and CISCO) and 36 research groups in order to prepare the blueprint for the digital knowledge environment of tomorrow through the IntelCities project.
- Developing projects in collaboration with other European city partners through the TeleCities network.

Level and source of funding

MDDA is funded by European Regional Development Fund, Manchester City Council, Northwest Development Agency.

Manchester Digital Broadband Innovation Programme

Overview

The MDBIP project is charged with meeting the following priorities:

- Ensuring that targeted specialised business support and mentoring services are provided to ICT/New Media companies within eligible areas of Greater Manchester to increase the productivity and competitiveness of participating companies.
- Establishing a business-led ICT/digital sector innovation network to co-ordinate links between SME's in the sector and the R&D base in Greater Manchester.
- Promoting new collaborative innovation and research programmes, particularly relating to broadband technologies, that bring together SME's in the sector and the local knowledge base.
- Developing a digital sector supply chain initiative enabling SME's in the sector to identify and access new market opportunities through closer links with large businesses.
- Facilitating the development of a series of idea/skills sharing workshops to bring together SME's within the sector to develop collaborative approaches to developing new products and services, including through a new broadband virtual business network for the digital sector.
- Opening up access to innovative broadband technologies applications, including the results of UK and EU R&D programmes.

- Provide new and innovative ways of integrating the support provided by the project for the ICT/digital sector with the academic and knowledge base of the sub-region, especially through the Knowledge Capital initiative.

Value of fund in total

£280,000 (including match funding)

Source of funds

MDBIP is funded by the European Regional Development Fund and managed by MDDA.

Number of companies supported

Up to October 2007, MDBIP had supported 28 companies. By the end of June 2008 they hope to have supported 50.

Criteria for awards

The MDBIP supports businesses within the definition of creative new media and is looking to back initiatives that develop products and use new produce processes.

Manchester Digital Sector Network Project

Overview

The MDSN project is charged with meeting the following priorities:

- Ensuring that targeted specialised business support and mentoring services are provided to ICT/New Media companies within eligible areas of Greater Manchester to increase the productivity and competitiveness of participating companies.
- Ensuring the development of a Digital Sector Network within Greater Manchester, through support to Manchester Digital (ICT/New Media Trade Association) and digital companies.
- Facilitating the development of skill sharing workshops to support the development of collaborative approaches to developing new markets, bidding for contracts and developing new products and services.
- Ensuring that innovative technology applications are shared with other SME's in the sector.
- Supporting the development of the sub-region's credibility as a centre of excellence.
- Ensuring the development of potential talent pool for SME's in the sector through regular Digital Sector Job Fairs.

Value of fund in total

£500,000 including match funding

Source of funds

MDSN is funded by the European Regional Development Fund and managed by NWDA.

Number of companies supported

Up to October 2007, MDSNP had supported 76 companies. By the end of June 2008 they hope to have supported around 120.

Criteria for awards

The MDSN supports businesses within the definition of creative new media and is looking to back companies seeking to expand their businesses in terms of revenue and staff-levels.

4.2.4 Manchester Digital

Overview

Manchester Digital is the independent trade association for the thriving ICT and new media industries in the North West of England.

Aims

Manchester Digital aims to actively promote Manchester's digital business sector, to attract business and inward investment from the UK and worldwide by:

- Promulgating the excellence and diversity of the sector's leading edge services, products and expertise.
- Communicating members' views to all audiences.
- Encouraging communication and co-operation between members.
- Acting as an information and knowledge source for members.
- Representing members' interests to policy makers and opinion formers.
- Promoting Manchester as the best 'can do' centre for interactive solutions.
- To increase the visibility of companies providing digital goods and services, to encourage Manchester based ICT firms to buy locally and to increase the flow of new business into the region.

What they offer

Manchester Digital offer a lively events programme which brings members together where they can learn and do business, from the flagship Big Chip Awards - celebrating the best from the region - through regular top quality seminars and evening events, to small self-help groups and networks offering practical help and advice.

Level and source of funding

Manchester Digital is a non-profit association, independent of the public sector, but well connected with policy makers and committees, where they promote the sector's interests. They receive funding through membership fees which start at £25 per year for individuals and £50 per year for small businesses.

4.2.5 Creative Industries Development Service

Overview

The Creative Industries Development Service (CIDS) works to help new and established creative businesses in Greater Manchester, whilst also taking a strategic overview of the sector – developing projects in response to industry needs.

Aims

The service aims to support the growth of creative businesses in the Greater Manchester area.

What they offer

CIDS offers a free Information Service for creative business to help them find out what support is available to them, which can be accessed either through the website, factsheets, phone, or by email. CIDS also offers a range of communications for creative businesses such as publishing trade journals and running events designed to help the creative industries.

Level and source of funding

CIDS is a non-profit making limited company funded by the European Regional Development Fund, the Northwest Development Agency, Manchester City Council and other regional partners.

The Loop programme

Overview

The Loop provides a regular master-class and get-together for established businesses in design, music, fashion, architecture, visual arts, film, TV, video games and the professional services that support them.

Loop academy offers an advanced level of business development support to 'high growth' creative industries companies based within eligible areas of Greater Manchester.

The Loop+ is an exclusive quarterly master-class for creative businesses in Greater Manchester. The event is held over dinner at Stock Restaurant and each one tackles issues related to the sector (such as collaboration, access to finance etc), with guest speakers from within the industry providing their valuable experiences.

Focal Point is a network and social get-together for new creative businesses. This event gives creative businesses the chance to meet other creative people, talk through problems, exchange ideas or even find a business partner.

Value of fund in total

n/a

Source of funds

Some events are funded through individuals paying to attend such seminars and CIDS core public funding.

Number of companies supported

The Loop holds 4 events per year with places for 80 individuals at each event; Loop Academy support around 60 businesses; Loop + holds 3 events per year with places for up to 10 individuals at each event.

4.3 Infrastructure and geography

4.3.1 Company base

In addition to the broadcasters, North West Media + Vision cite 27 independent TV production companies based in the region.⁴³ While the largest concentration of these companies is in Manchester, there is a secondary cluster in Liverpool established around Lime Pictures (formerly Mersey TV), producers of Grange Hill and Hollyoaks.

The region is home to major international software and digital media companies including BT, Cisco, Oracle, Fraser Williams, Sony Psygnosis, Telecity, Marconi, Amaze, Time, Granada Media, Infogrames, Warthog, I-Soft, Surfcontrol, Your Communications, Opal Telecom, Ericsson, Netario, Formfill and Fujitsu.⁴⁴ Smaller, but significant, local digital media companies based in Manchester include Code Computer Love, BJL, Love Creative, Pavilion Communications and Star Dot Star.

4.3.2 Talent base

The talent pool in Manchester also benefits from its four universities turning out a significant number of graduates in the creative industries.

4.3.3 Studios and workspace

Barclay House

Pie Factory

Web Studios

Bonded Warehouse

Granada Studios

Ducie House

4.3.4 Sector support

As detailed above, Manchester's creative, media and digital industries are supported by a strong network of sector organisations, networks and events offering funding support, networking, training and advocacy for the sector that they support. These organisations

⁴³ www.northwestvision.co.uk

⁴⁴ www.nwda.co.uk

have been developed through a long established tradition of support for the creative industries within a city that has long recognised the potential benefits of supporting indigenous creative industries – most notably music.

In addition to the public sector organisations listed above, The Game Alliance Ltd is a consultancy and network association for the North West's game development industry (formerly the M62 Games Network). The Game Alliance Ltd is concerned with the interests of the PC, video and mobile game development industry including 3D animation, sound and internet based companies, creative design services, associated government agencies and talent pools. They work to highlight and promote games development in the region and to provide industry information and offer networking events to establish new business opportunities between the wider media sectors, members and individuals. The Game Alliance Ltd is a private limited company led by senior members of the NW game development sector.⁴⁵

4.3.5 Transport and communications

The region benefits from strong transport and communication links. Manchester International Airport is the UK's largest airport outside London serving 220 destinations worldwide with strong links to the East Coast of America and negotiations underway to develop direct flights to Los Angeles and the West Coast. Rail links have also benefited from improvements to the West Coast Mainline, with several trains per hour between Manchester and London and journey times of less than two and a half hours.

4.3.6 Regional geography

While Manchester's excellent transport links have effectively reduced the distance to London, historically, Manchester, like every other region has lost a lot of talent to London. Manchester hopes that the mediacity:uk development (summarised below) will halt and perhaps even reverse this trend. The Regional Investment Agency MIDAS is working closely with Marketing Manchester and support providers to provide a clear offer to decision-makers in London-based companies looking to relocate.

4.4 Significant developments

4.4.1 MediaCity:UK

The BBC's planned relocation of significant production and commissioning out of London to a new development on Salford Quays will make Greater Manchester the largest broadcasting centre outside the capital. In addition to the relocation of BBC services to Manchester, there is a commitment to building sustainable independent production across the region and developing broadcast talent and partnerships. The development, named mediacity:uk, will create a hub of creative and digital talent co-existing alongside five BBC departments. The knock-on effects that mediacity:uk will have on the local economy and jobs is anticipated to be huge. It is scheduled to deliver £1 billion over five years to the regional economy, provide employment opportunities for 15,500 people and create

⁴⁵ www.gamealliance.net

over seven million square feet of new and refurbished floor space for business, retail and residential property.⁴⁶ Manchester's established TV production and digital media cluster looks set to grow further.

4.4.2 Media Enterprise Centres

The NWDA has now committed to really driving the whole digital sector and amongst other things, approval has been granted to fund a series of "*Media Enterprise Centres*" across the three North of England regions to try to accelerate the growth of the supply chain. Unquestionably the support sector in the North West is now focused on developing its indigenous digital media sector as well as actively seeking inward investment targets from across the content and technology supply chain.

4.4.3 Pie Factory

Sumners (Manchester based post-production company) recently opened a new studio just next to mediacity:uk on a site previously used by a pie manufacturers. With three studios already completed and 20,000 sq ft of office space, projects such as *Drop Dead Gorgeous* and Granada's *Cold Blood* are now are now shooting there.

4.5 Company profiles

4.5.1 Red

North West Vision + Media has made funding available to Red to attend MIP and also to run a drama writing training scheme. They have also assisted with development funding to increase the rate of ideas getting to the commission and production stage. They are currently being assisted to explore the development of new market areas (mobile and other new media platforms) for their writing skills in partnership with a major Manchester-based advertising agency.

4.5.2 MMA

MMA has been supported by the RAF to develop a DVD and online product using IP already owned by the company. They have also been provided with an experienced industry mentor to help them in their preparation and presentation skills when attending MIP and other industry festivals and conferences. Most recently they were awarded funding to take on an intern to develop a multi-platform idea on a full time basis that has subsequently received development funding from the BBC new media. They were acquired by Ten Alps in November 2007.

4.5.3 Hat Trick North

Hat Trick were given an award of £60k from the RAF as development funding to ease their move into Manchester, Hat Trick North is the Company's first regional office, and is led by highly regarded Mancunian producer, Rebecca Papworth.

⁴⁶ www.nwda.co.uk

Similarly, to MMA they were awarded funding to take on an intern to develop a multi-platform idea on a full time basis that has subsequently received development funding from Hat Trick's own Digital Media division in London.

4.5.4 Lime

The company was formed in 1982 by Phil Redmond and originally known as Mersey Television, before All3Media's acquisition in 2005 and the name change to Lime Pictures in 2006. The company has ambitious plans to increase output and has had some support from the RAF to develop a mobile soap in partnership with the BBC, who have a "first look" arrangement as part of the deal. As part of the Lime Pictures Group, Conker Media produces content for emerging digital platforms including digital television, online, broadband Internet, mobile and digital radio. As well as driving ambitious cross-platform projects, the Conker Media team are working in partnership with Baby Cow Productions and Channel 4's 4Laughs while developing a range of cross platform projects for ITV and BBC.

4.5.5 Amaze

Amaze is an online solutions company specialising in Consulting Services, Business Efficiency Applications, Digital Marketing, Enterprise Portals and Knowledge Management, e-Learning and Managed Services. Co-founded by Roy Stringer over 12 years ago, 2 products got Amaze on the map on a global scale. These were Navihedron (1997) and the Noodlebox (1998), which achieved global recognition and is permanently installed in the San Francisco Museum of Modern Art (www.noodlebox.com). These projects were a key driving force behind the growth and success of Amaze. Following the market downturn in 2000, Amaze went through a period of consolidation. In 2003/04 it began on another growth curve. Amaze has established partnerships with industry leading hardware and software vendors such as Microsoft, Tridion, Open Text and Autonomy. This has mean it has been able to establish itself as a leading Online Solutions Company delivering a broad range of solutions to an impressive list of public and private sector clients across the UK and Europe, including Toyota, Lexus, BT, Ernst and Young, Norwich Union, the Economic and Social Research Council and the Greater London Authority.

4.5.6 Red Vision

Red Vision opened its studio in Manchester in 1995 and is now ranked high among the most innovative Cgi and Vfx houses in the UK. They were one of the first to introduce realistic virtual characters in drama documentary for the BBC *Ancient Voices* programme *Death on the Nile* and have also pioneered the extensive integration of photo realistic Cg into live action scenes.

With facilities also in London, a base in Bristol, and partnerships in Ontario, Canada, Red Vision are now moving forward on the next phase of expansion with the production of cgi for ground breaking major series in factual, drama and character animation. Red Vision through its subsidiary Film Red, are also working on a number of co-development and co-production projects in both drama and factual, with clients including SMG, Red Productions, Leopard Films and Talkback Television.

The company recently won an Outstanding Achievement in Craft Award at the National Royal Television Awards, coming on the back of two BAFTAs and in June 2006, the company was bought out by Inspired Gaming Group Plc in June 2006, in a reported £20 million deal.

4.6 Summary

Manchester and the North West have always been regarded as a powerhouse of regional production with particular expertise in episodic and returning drama series through *Coronation Street*, *Brookside*, *Hollyoaks* and the prolific output from Red Productions. Research by **nmp** shows that employment in the media industries in the region grew at three times the national average between 2001 and 2006. Dramatic improvements in the West Coast line rail service between Manchester and London Euston have made it easier to do business in London whilst being based in the North West.

The successful conclusion of negotiations to bring the BBC's "*Out of London*" project to Salford has given the North West a fantastic PR opportunity and a clear focal point to galvanise the whole digital supply chain in the region. Every research document shows a consistent picture of growth and optimism with businesses articulating expectations of high growth and ongoing business confidence.

There is a lot of activity in the North West to try to deepen the talent pool in the region to allay the concerns of the BBC that the existing company base may be insufficient to fulfil the supply requirements of the five departments earmarked for the move.

North West Development Agency (NWDA) has now officially recognised the digital media as a key sector and has adopted a focus on developing Europe's no.1 rated converged digital media sector by 2020. Manchester will not restrict its efforts to the UK or even London and are already supporting efforts to attract skilled digital employees from the USA and Japan.

The screen agency (North West Vision + Media) has been given the delegated power and budget by the RDA to develop the sector and again, the agency has switched its focus to digital media. This has been underscored by the recent inclusion of a digital media strand in the regional Attraction Fund. The Regional Attraction Fund gets a lot of profile and has undoubtedly opened doors for North West Vision as they try to build the supply chain to cope with the BBC's planned arrival. The actual sums of money on offer are not so different from what either currently is or has been on offer in the past in Glasgow and other centres around the UK. There have been cases of London indies returning to London having moved north (Zig Zag being one example) due to these companies facing the same difficulties as Endemol, Lion and Mentorn in Glasgow – i.e. the difficulty in securing network commissions outside London. The reality is that the North West really only has two major production companies – Lime and Red. The next stage down from that sees a raft of indies turning over between £1- 2 million, then a proliferation of micro businesses and freelancers. This was one of the key issues for the BBC in its negotiations to finalise the Salford deal and is a key driver for economic development activity to grow the supply chain in the region before the BBC arrives.

There is a perception that Manchester is a creative place with a strong image and a growing pool of talent. The mediacity development has significantly increased the world's perception of Manchester as a vibrant, confident city that must be considered as a location for digital media business.

One of the implications for Glasgow is that one of the biggest media developments in Europe will be located less than 3 hours drive away and that this is a massive opportunity as well as a serious competitor to any proposed Digital Media Quarter at Pacific Quay and for Scotland's digital media companies. The BBC has always said that the *Out of London* project is for the North rather than only Manchester or the North West. The stakeholders seriousness is signalled by the fact that a Managing Director for mediacity:uk has been recruited at a salary of £150k per annum.

5.0 CARDIFF AND WALES

5.1 Key statistics

5.1.1 Wales sector employment⁴⁷

Of total UK sector employment	3%
Total sector employment	6,600
Total permanent employees	4,300
Total freelance employees	2,300
Broadcast television employment	1,100
Independent television employment	1,200
Digital media employment ⁴⁸	2,100

5.1.2 Wales commissioning spend⁴⁹

Total spend on TV production	£73 million
Of total UK spend on TV production	3%
Total spent by broadcasters on external commissioning	£12 million

5.2 Overview

Around one third of jobs in the creative industries in Wales are located in Cardiff and the city has a particular strength in the radio and TV sector – around a third (27%) of people working in the creative industries in Cardiff are in radio and TV.⁵⁰ Cardiff is the largest broadcast centre outside of London and is home to the major broadcasters S4C, BBC Wales and HTV as well as a number of major independent production companies, including Green Bay, Calon and Boomerang.

Statistics show the digital media sector (referred to as film, TV and multimedia in local studies) in Cardiff has grown fast. Between 1991 and 2001 employment in film, TV and multimedia in Cardiff increased by 41% from 2,500 to 3,550.⁵¹ This is also evidenced in the fast

⁴⁷ Skillsset (2006) *Employment Census 2006 – supporting dataset*

⁴⁸ Animation, Web and internet, Offline multimedia, Interactive TV, Mobile content and computer games

⁴⁹ Ofcom (September 2005) *Television Production Sector Review – a survey of TV programme production in the UK*

⁵⁰ ONS (2004) *Annual Business Inquiry 2003*

⁵¹ *Film, TV and Media Sector information sheet*

growth of workspace being used by the sector. Over the period 1991 – 2001 the number of creative workplace units in the city grew at a rate of 431%, almost three times the UK rate.⁵² The dramatic increase in workspace coupled with the much slower growth in employment figures in the independent media production sector indicates a high growth in SME start ups and is indicative of the growing importance of Cardiff as a location for new business in the film, TV and multimedia sector.

In particular, Cardiff has a strong and growing independent TV production sector, with a turnover estimated at £350m.⁵³ BBC Wales' in-house productions of Dr Who, Torchwood and associated spin-offs have helped strengthen Cardiff's position as a major player in the TV production.

While S4C has undoubtedly brought benefits to the sector in Cardiff, particularly through its role in driving consolidation, there is a feeling that it has created something of a comfort zone for the sector, one of long-terms contracts and small-scale programme making on a 'lifestyle' level for one broadcaster, a comfort zone from which Welsh companies are arguably only now emerging. Iona Jones has become head of S4C in recent years and has begun to bring about changes to the existing culture.

5.3 Support for the sector

5.3.1 Welsh Assembly Government (equivalent to Regional Development Agency) / Creative Business Wales

Overview

'Creative Success' is The Welsh Assembly Government's strategy for the creative industries in Wales'. The strategy, produced in 2004, aims to help Wales-based creative businesses achieve profitability, sustainability and make a positive contribution to the Welsh economy. The strategy recommended a four part course of action;

- Setting up the IP Fund, a gap fund to encourage both film and TV production to come to Wales.
- Streamlining the existing support system into the Creative Hub and shutting down failing agencies.
- Concentrating more effort into training in association with Skillset.
- Refining business support methods to throw more support behind those companies capable of making an impact in wider markets.

Key elements of public investment have been put in place by the Welsh Assembly Government to encourage the growth of the creative industries in Wales. These elements include: more strategic investment in Wales-based creative businesses, a new approach to providing business support for the creative industries, re-focused training and a new £7million Wales Creative IP fund, designed to secure work for Wales and its creative businesses.

⁵² *Film, TV and Media Sector information sheet*

⁵³ *Cardiff City Council Film, TV and Media Sector information sheet*

Following the launch of the Welsh Assembly Government's creative industries strategy in 2004, support for the creative industries has been restructured and unified to create Creative Business Wales. Support for the creative industries in Wales has been restructured into a 'hub' by the Welsh Assembly Government, with the aim of becoming a one stop shop for the industries.

New and reformed organisations, together with the other important 'spoke' organisations, such as Welsh Music Foundation, Cultural Enterprise Services, the Film Agency for Wales and the Wales Screen Commission, will work under the direction of the 'hub'. The 'hub' will also partner agencies such as Skillset Cymru, Creative and Cultural Skills sector skills council, Finance Wales and NESTA. The initial focus of Creative Business Wales is on film, television, music and new media. This does not mean excluding other sectors that are also able to make a significant contribution to the Welsh economy by exploiting creative IP. It is also envisaged that design and print media will be the next two sub-sectors to be supported by the service.

Recently the Economic Development Ministry has begun the process of reorganising its activities on sector lines. This includes the creation of a Knowledge Bank whose purpose is to identify potentially high achieving companies and give them a tailored support package. There is also an acknowledgement that outside experts with specific understanding of the sectors will have to be brought in to do this work.

Creative Business Wales supports the film, television, new media and music industries in Wales. It facilitates the creation, retention and exploitation of intellectual property, encourages new investment in Wales and helps Welsh businesses to grow nationally and internationally. Creative Business Wales is part of the Welsh Assembly Government, and helps to drive the creative industries strategy.

Aims

Creative Business Wales aims to:

- **Support** and encourage those Wales-based creative businesses that can make a significant contribution to the economy in Wales particularly through the retention and exploitation of intellectual property (IP).
- **Stimulate** growth in the creative industries in Wales, both by encouraging more inward investment, and encouraging more business to Wales.

What they offer

The Creative Business Wales team is made up of professional advisors with a balance of skills and creative industries' experience. In order to deliver the creative industries strategy effectively, a hub and spoke model has been devised which will provide two levels of focussed support.

Acting as a 'hub' the team will work with creative businesses to spearhead the development of the creative industries in Wales. Under the guidance of an advisory panel of industry figures, they will help creative businesses to implement major projects and provide a

business support service. The same team will act as expert advisors to the Welsh Assembly Government's Department of Economic Development and Innovation Networks (DEIN) and its subsidiaries, on all creative industries' issues.

Currently, the Welsh Assembly government contributes around £1.6m annually to the costs of specialist creative industries bodies such as Wales Screen Commission, the Welsh Music Foundation (WMF) and until recently Cultural Enterprise Services.

5.3.2 Film Agency for Wales (Screen Agency)

Overview

Film Agency for Wales was established in July 2006. It has a remit to ensure that the economic, cultural and educational aspects of film are effectively represented in Wales, the UK and the world.

Aims

As a strategic agency, the Film Agency aims to facilitate the emergence of a viable and sustainable Welsh film industry and to promote a vibrant and dynamic film culture. The Film Agency for Wales wishes to increase the range and number of films being produced by new, emerging and established Welsh talent, with particular interest in supporting Welsh writers, writer-directors, directors and producers.

What they offer

Film Agency for Wales offers a number of funding packages and development strategies to achieve this, including projects in development, education, exhibition and production. The agency is responsible for the financial, management and decision-making procedures for awarding lottery funding for film in Wales.

The Agency's core production activity is to offer project specific advice and facilitate access to third party finance/distribution; to increase production opportunities and support for new and yet to be established talent and to increase the diversity of films being made by Welsh filmmaking talent. This includes:

- An information service, pointing all film production and training enquiries in the appropriate direction. This will be backed up by a comprehensive web site and "open access" events where the Agency can communicate its plans and activities and where any and all interested parties can meet the Agency team and discuss areas of interest.
- Project specific advice and assistance in response to submissions. This is achieved through hands-on collaboration in furthering the financing and distribution potential of projects.
- Regular project specific workshops and industry access surgeries with invited industry decision-makers, experts and advisors.
- Production co-financing for a minimum of 2-3 low budget films each year.
- Whenever new talent is engaged in an Agency co-financed project, an attempt will be made to surround them with experienced crew, mentors and executives as appropriate. All Agency funded projects will be required to offer significant trainee opportunities.

The agency can currently contribute up to £200,000 to British qualifying, theatrical films, including feature-documentaries. In addition to co-financing alongside lottery bodies (subject to a cap of 50% of the total finance), they can co-finance with other Welsh financiers, such as the Creative IP Fund and post-production facility house Barcud Derwen.

Level and source of funding

The Film Agency for Wales is funded by the Arts Council of Wales, the UK Film Council and the Welsh Assembly Government, via Creative Business Wales. They have invested over £1.7 million in the Welsh Film Sector in their first year of existence (2006/07).

Production co-financing

Overview

The Film Agency for Wales offers production co-financing for a minimum of 2-3 low budget films each year.

Value of fund in total

The agency has a budget of between £400,000 and £750,000 for each production. They will additionally consider ultra low budget projects (as per the current trend of £50,000 – £100,000 films). The Agency's investment is recouped when the project proceeds to production and becomes repayable on the first day of principal photography. A premium of 50% is usually charged on development funds.

Source of funds

Arts Council Wales Lottery Funding. The agency can also co-finance with other Welsh financiers, such as Finance Wales' IP Fund and post-production facility house, Derwen, in addition to co-financing alongside other lottery bodies (subject to a cap of 50% of the total finance) including the UK Film Council, Scottish Screen, the Northern Ireland Screen Commission and the various Regional Screen Agencies.

Number of companies supported

The Agency supports approximately 20 development projects at any one time with a diverse slate covering a variety of genres and budgets.

Criteria for awards

The Agency is principally concerned with the development of feature length material intended for theatrical distribution. However, they will also consider funding the development of high-quality, feature-length 'event' TV films, particularly where there is potential to additionally distribute them theatrically. Short Film support and schemes are not envisaged at present.

The Agency recognises that low budget films of this nature will place particular constraints on the type of film that can be supported, lending themselves to auteur filmmaking and genre films, such as horror and thriller stories.

When selecting projects the following criteria will be considered:

- The quality, potential and originality of the work;
- The benefit to Welsh filmmakers and level of participation of key Welsh talent;
- The viability of the project in terms of budget and partnership funding and the capability of the key creative personnel;
- The project's ability to qualify as a British film, under the terms of the Films Act 1985 (Amended 1999).
- The project's market appeal. The application should clearly show an identifiable and reachable core audience appropriate to the budget.

Awards granted

The Agency determines what is an appropriate financial contribution on a project-by-project basis.

5.3.3 Cardiff City Council

Overview

The council has recently commissioned work looking at the creative industries in the city that will inform the new 'Competitive Cardiff' framework.

Aims

Cardiff City Council has recently drafted a creative industries strategy – *Building a Creative City* – which aims to ensure that Cardiff competes with leading national cities in this area, attracting and retaining creative talent.

What they offer

The council has indicated that it will target support at the sub-sectors which promise the greatest economic contribution to the city – the television and media sector is one of these.

5.3.4 Finance Wales

Overview

Established in 2000, Finance Wales is a subsidiary company of the Welsh Assembly Government and operates on a commercially independent basis. Finance Wales provides commercial funding to small and medium-sized businesses (SMEs) throughout Wales. Finance Wales is an initiative between the Welsh Assembly, the European Investment Fund and a number of major banks.

Aims

Through investment, Finance Wales aims to enable companies to realise their potential for innovation and growth.

What they offer

Finance Wales invests in start-up, early-stage and established SMEs employing up to 250 employees (including those in the creative industries) based in Wales with growth ambitions and an annual turnover of up to €50 million. Finance Wales also invests in social enterprises that may fall outside the definition of a SME, development capital and succession deals.

As a commercial growth funder, Finance Wales adopts a flexible but focused approach and is involved in a growing number of syndicated deals and co-investments. The agency can structure individual, tailored investment support ranging from a €5,000 loan to equity deals in excess of €1million. The agency also works closely with UK and Wales-based financial institutions and business introducers to ensure additional targeted and strategic investment.

The Creative Business Wales team will work closely with Finance Wales, advising Welsh creative businesses in relation to investment and funding. Finance Wales builds long-term relationships with the SMEs they choose to invest in.

Level and source of funding

Finance Wales manages funds of more than €100 million, and has already invested over €75 million in SMEs and generated a further €180 million of private sector investment. Finance Wales' investment funding is sourced from the private and public sectors, including Barclays, Lloyds TSB, Royal Bank of Scotland, HSBC, European Investment Fund, NatWest, the Welsh European Funding Office (WEFO), the European Commission and the Welsh Assembly Government.

Since 2000, Finance Wales has invested in more than 1600 SMEs. In Autumn 2007, Green Bay Media received a €500,000 equity investment to fund expansion. The second-round equity deal will enable the company to accelerate its rapid growth in network and international television markets which began with an initial €300,000 investment from Finance Wales in 2004.

Wales Creative IP Fund***Overview***

The Wales Creative IP Fund has been created as part of the Welsh Assembly Government's strategy for the creative industries in Wales. Through the fund, they act as a "gap financier", offering finance for productions alongside finance already secured from other funding providers.

The IP Fund aims to:

- achieve a return on the its investments
- increase production activity in Wales
- encourage Welsh production companies to be competitive
- support producers, helping them create and retain intellectual property

- develop skills and encourage on-the-job training
- increase inward investment to Wales

Value of fund in total

£7 million. Investments can range from £50,000 to £700,000 to companies operating on a commercial basis for any one production.

Source of funds

Finance Wales manages the fund on behalf of The Welsh Assembly Government.

Number of companies supported

Between April 2005 and January 2007, the fund invested or sanctioned nearly £3 million of investment into six companies: three films, two TV productions and one new media project.

Criteria for awards

To apply companies must demonstrate:

- that they have secured a minimum of 60% of the budget from other sources
- that the project has an economic benefit to Wales; a proportion of the budget must be spent in Wales
- that they have a commercial proposition with a reasonable risk/reward ratio
- that they have a route-to-market, preferably with a distributor or sales agent on board

Early-stage or development projects are not eligible.

Awards granted

Recipients include:

- Calon (award of £600,000): Calon needed finance to develop new animation work and live-action children's drama and expand into complementary markets such as gaming and online distribution.
- *Flick* (2007, Monster Films)
- *Big Nothing* (2006, British Pathé)
- *Nightwatching* (2007, Kasander Film Company)
- *The History of Mr Polly* (TV) (2007, Granada Television)
- Jester Interactive Publishing: St Asaph-based computer and video games software developer and publisher, received funding in 2006 to assist the production of a sequel to its already successful TT Superbikes game.

5.3.5 Wales Screen Commission

Overview

The Wales Screen Commission is the location service for Wales offering comprehensive information and support on locations, facilities, crew and local services throughout Wales.

Aims

The commission aims to promote and support Wales as a location for high profile media productions.

What they offer

Since its inception in 2002, the Wales Screen Commission has delivered £73.7 million in location spend on projects it has assisted. The commission has worked on over 1,500 enquiries and approximately 300 productions including notable feature films such as *Lara Croft Tomb Raider: The Cradle of Life*; *The Libertine* and *The Hitchhiker's Guide to the Galaxy*, and high profile television dramas such as *Dr Who*; *Torchwood*; *Midsomer Murders* and *Casualty at Holby* (Christmas special).

Level and source of funding

Wales Screen Commission assists funding through providing production companies/individuals with information on funding bodies such as Wales Creative IP Fund, Film Agency for Wales and Skillset Cymre. The Wales Screen Commission is part of (and thus funded by) the Welsh Assembly Government's Creative Industries support service (Creative Business Wales).

Strategic Focus

The Commission supports the aims of the Welsh Assembly Government's Creative Industries support service.

5.3.6 Cyfle

Overview

Cyfle is the Training Company for the Welsh Television, Film and Interactive Media Industry. The organisation was originally formed in order to train Welsh speaking technicians for the television industry which formed as a result of the creation of S4C. Cyfle is the main gateway into the Industry for new talent and provides practical training support for professional practitioners.

Aims

The Company's main features are its commitment to equal opportunity and its ability to respond to training needs in a timely and practical way.

What they offer

During 2000 Cyfle became a Skillset (Sector Skills Council) accredited Training Partner and a National provider for the industry across Wales, offering practical training support for professional practitioners through a slate of short courses and practical funding

assistance. Such training schemes are varied and cover a wide spectrum of activity from the Summer Schools for the younger generation to Newcomer Schemes and courses for the professional seeking to update and acquire new skills.

Level and source of funding

Cyfle is funded through S4C, The Welsh Independent Companies (through a training levy on S4C productions), Skillset Structural Funds and the European Social Fund. Cyfle also seeks project funding from a wide variety of sources; a good example is the Dimension 10 Interactive Media Scheme which is funded by The Welsh National Assembly, (Pathways to Prosperity Fund) and the European Social Fund.

Cyfle's main partners are S4C, TAC (The Trade Association) and the Unions (BECTU, Equity, Musicians Union and the Writers Guild). Cyfle is managed by its own Board which includes representatives from the main partners and also representatives from the wider industry including Skillset Cymru, the freelance community, Interactive Media, PACT and the BBC.

Strategic Focus

Cyfle aims to support media training whilst promoting equal opportunities.

Skills Wales Fund

Overview

The Skills Wales Fund works to break down barriers to media training by providing individuals with more accessible financial assistance, better choice and more flexible training. The outcome will be an easy and cost effective way of fulfilling training needs which will lead to an increase in work quality and career employability. The aim of the Fund is to ensure that an individual's training needs are fulfilled.

Source of funds

The fund is supported by Skillset, S4C and the European Social Fund.

Criteria for awards

The fund is for professional people who have worked in the Welsh Television Film and Interactive Industry for a minimum of one year and are normally resident in Wales.

Awards granted

The level of financial assistance may vary depending on the individual's employment status but can be up to 70% of the training cost.

Producer Development Scheme

Overview

Unlike other Cyfle schemes, for this scheme a production company employs the individual and Cyfle provides funding assistance and training. It is expected that on successful completion of the training period the company will continue to employ the individual as a valuable member of their production team.

Value of fund in total

Although we were unable to obtain recent figures, 2002 figures from the Welsh Government show that the overall cost of the project was estimated to be £182,000, with £81,899 granted by the government at that time.

Source of funds

The initiative is developed by Cyfle in partnership with independent production companies and S4C.

Number of companies supported

8 individuals will be trained per year

Criteria for awards

This scheme is aimed at individuals who are already employed in the television and film industry or those able to demonstrate that they have the potential to work creatively in television and film production. The ideal candidates will be those with the imagination to spark, source and develop programme ideas and content.

Awards granted

Cyfle will support the company and individual throughout the initial 12 month period. The recruitment process for each post will be facilitated by Cyfle working in partnership with the company. The salary and other terms will vary from one employing company to the next.

5.3.7 Bloc (Creative Technology Wales)

Overview

bloc is the only organisation in Wales representing the interests of everyone engaged creatively with new technology.

Aims

bloc's aim is to position Wales' creative technology sector at the forefront of international developments in the field. bloc defines creative technology as the integration of text, images, video, sound and networking through digital or computer technology. Members are active in a wide range of areas, including web authoring, film and video, CAD and 3D modelling, image processing, electronics, desk top publishing, print and publishing, digital animation, sound, computer programming, gaming software.

What they offer

bloc operates on three key levels:

- as a source of information, professional development, research and advocacy services;
- as a facilitator for exchange and partnership between business and industry, science and technology, education and creative practice within Wales;
- as a commissioning body, developing production and presentation opportunities in collaboration with a range of partner organisations through projects, festivals and residencies.

bloc's work includes:

- provision of a range of core services for, and intelligence about, the sector including research and consultancy;
- development of production and presentation opportunities through commissions, festivals and residencies, in collaboration with a range of partner organisations;
- a programme of regional seminars and conferences that provide interactive, networking and professional development opportunities;
- campaigns to build public awareness, encourage greater understanding and debate and celebrate expertise;
- acting as advocate for the sector to bodies such as funders, business support, local authorities and national government.

Level and source of funding

bloc is a registered non-profit-making company, receiving project-funding from a range of public sources.

5.3.8 @Wales

Overview

The @Wales Digital Media Initiative is a specialist business accelerator. Located in the heart of Cardiff Bay, Wales' largest digital and media cluster. The initiative supports over 50 companies.

Aims

@Wales has two main aims: to accelerate the digital media industry in Wales, and to raise awareness about the growth of digital media globally.

What they offer

@Wales provides specialized business development support for innovative, high growth early stage businesses; and is a part of the incubation chain strategy in Wales to accelerate the growth of SMEs. A specialist team provides on-site mentorship and IT innovation, business development and marketing support.

Level and source of funding

The initiative is funded by the Welsh Assembly Government (previously WDA).

Strategic focus

@Wales forms a key part of the Cardiff Bay media cluster and is a model of good practice for incubation projects in the area. The team selects ventures with long-term potential and high-growth potential for Wales.

5.4 Infrastructure and geography

5.4.1 Company base

Cardiff is favoured as a business location by companies in the sector for various reasons, including available labour pool, proximity to clients and the vibrant image of the city. The sector has a significant impact on the economy of Wales as a whole due to inter-trading and the dominance of small businesses particularly in publishing and media who supply to major organisations.

5.4.2 Talent base

Cardiff has a strong higher education sector, with a specialism in the creative industries. The University of Glamorgan, Royal Welsh School of Speech and Drama, and Cardiff University (including Cardiff Business School) turn out highly trained, creative graduates. The media sector in Cardiff also benefits from the higher education sector in the city, providing a strong local talent pool for companies. The University of Glamorgan alone has over 140 courses dedicated to media, creative and IT based subjects with the profile of creative and media courses at the University likely to benefit considerably from the opening of the new School of Cultural and Creative Industries.

The University of Glamorgan is currently completing a £35 million development to establish a Cardiff campus for a new faculty focussing on the cultural and creative industries sector. The Cardiff School of Creative & Cultural Industries will be specifically aligned to the training, education and research needs of the digital media industry.

Cardiff's media industries benefit from the presence of S4C. For the last 25 years the equivalent of £80million has been spent in the Welsh TV production sector by S4C. This funding has had the impact of creating a strong pool of talent, preventing some of the migration of talent to London and potentially giving some companies a strong and secure economic base from which to expand.

5.4.3 Studios and workspace

The city council strongly supports the development of clusters, seeing this as an integral part of developing a strong creative economy in the city. A number of property based creative cluster initiatives are already operating in Cardiff and the wider South Wales area. These include the @Wales Digital Media Initiative in Cardiff Bay, the largest cluster in the industry and a specialist accelerator facility for the digital media industries; Technium centres – with branches across Wales offering an optimum environment to enable knowledge-based start-up and spin-out companies; and the Chapter Arts Centre, which houses around 60 creative businesses.

Cardiff currently suffers from an under-supply of managed workspace suitable for the media industries. There is a very limited number of dedicated creative industries or media workspaces available in the City, with the majority of the stock comprising of generic office space. The small numbers of specialist workspace and incubation providers are fully occupied.

5.4.4 Sector support

As detailed above, support for the creative industries – including the digital media industries – is currently being arranged in a hub and spoke model, with Creative Business Wales acting as the coordinating hub and various sector specialist organisations as hubs. However, this structure is at a relatively early stage.

5.4.5 Transport and communications

Cardiff enjoys much better transport links with the hubs of the digital media industry in Bristol and London – both easily accessible along the M4 and by quick rail links – than it does with most areas of Wales. The city also benefits from an international airport with good links around the UK and to major economic and leisure destinations around the world. In 2004, the city became the first in the UK to have an outdoor wireless broadband zone. The zone is currently being reviewed to see if there are other areas of the city that could benefit from an expanded service.

5.4.6 Regional geography

Cardiff is well connected to the rest of South Wales, and there is some evidence of developments in digital media across a swathe of the region (see Valleywood below). In recent years, there has been evidence to suggest that the area's growing digital media sector is now better able to retain talent and also attract skilled workers from elsewhere.

5.5 Significant developments

5.5.1 Media Factory

As part of the University of Glamorgan's Cardiff School of Creative and Cultural Industries development the university is proposing the creation of a virtual and physical environment that aims to enhance the current collaboration between higher education and small and medium sized enterprises – the Media Factory. The proposed concept for the Media Factory is to bring product development process from concept to distribution and marketing under one physical and virtual environment, coordinated across the resources of specialist SMEs, industry practitioners, and academic experts in the media sector. This unique combination of a virtual network or intranet, a physical leading edge technology environment and a pool of talented graduates and researchers will create the product development resource normally associated with multi-national companies. The link with the Cardiff School of Creative & Cultural Industries will provide specialist academic research input and access to a pool of graduate talent aligned to industry needs.

5.5.2 Creative Industries Quarter

The City Council, recognising the importance of the Creative Industries to Cardiff, has set out plans to develop a Creative Industries Quarter in the City centre. The new City Quarter will bring together the commercial and education sectors and become a focus for media related inward investment.

5.5.3 Valleywood

Dragon International Film Studios (dubbed 'Valleywood') is a new television and film studios complex currently under construction in Llanilid in the valleys between Cardiff and Bridgend. The project has received private investment along with EU and Welsh Assembly Government funds, and is championed by Richard Attenborough. It aims to attract film production partly through the relatively low costs compared to filming in London. When completed the complex is planned to include 12 sound stages. Screen Academy Wales will also have a strong involvement in the final facilities.

5.6 Company profiles

5.6.1 Boomerang

Boomerang has taken a slower growth route. Using a Finance Wales equity investment and its own funds it acquired two of its contemporaries and transformed itself into a company with an approximate turnover of £12m. Since then it has continued with some modest acquisitions, all from within the Welsh industry. It has recently floated on AIM. Whilst growth through acquisition within Wales was taking place, it also made great efforts to increase its base outside Wales and has enjoyed success with Channel 4 and with the extreme sports genre in general.

5.6.2 Greenbay

Greenbay have tripled in size organically since an initial investment from Finance Wales. This money has been spent largely on strengthening the company from within rather than on acquisition. They have made some notable programmes for BBC4 and consolidated their existing good relationships with BBC Wales and S4C. They have also benefited from funding from the IP Fund and assistance with overseas networking from Creative Business Wales to secure international release for a documentary series initially intended for S4C, this has opened up the possibility of further similar international opportunities for them. Their efforts have been rewarded with a further investment from Finance Wales, some of which they intend to use for new media opportunities.

5.6.3 Calon

Calon are a company formed by a management buy-out by Robin Lyons of the Entertainment Rights PLC-owned Siriol Animation. Robin and his team have a twenty year history of putting together internationally funded and distributed children's animation series. The business model for animation differs substantially from the rest of TV due to the long lead times, expense of production, longevity of the programmes and opportunities for secondary exploitation. Because of this Calon has built up a considerable overseas presence and are probably the only Welsh company in this sector that derive the majority of their income from export. The recent withdrawal of ITV from children's programming has damaged their competitors much more than them, as they enjoy support from S4C.

5.6.4 Tinopolis

Tinopolis are not Cardiff based, but we refer to them here because they are of importance in understanding how the industry in Wales is evolving. Tinopolis is one of the UK's largest independent media producers producing over 2,500 hours of broadcast television per annum. Tinopolis works in television, animation and new media. They are based in Llanelli, some 60 miles west of Cardiff and in their early days had WDA support in setting up in what is regarded as an economically disadvantaged town. Originally they were mainly reliant on S4C but had built a considerable expertise in new media and had some success with film making. Subsequent to floating on AIM they acquired the English based TV Corp which included companies such as Mentorn and Sunset & Vine and have thus transformed themselves into a significant UK company. Detractors feel that the acquisition has not been of direct economic benefit to Wales, but the majority of the industry feel that the importance of a major production company being headquartered in Wales is a significant benefit that will bring its rewards.

5.7 Summary

Cardiff is the dominant centre of Wales' traditional and digital media industries. It is geographically well placed for access to London for broadcast and digital media companies and is increasingly being talked about as one centre, along with Bristol (i.e. Bristol/Cardiff).

The city has many parallels with the situation in Glasgow. Welsh companies have not historically taken advantage of the strong home market to build a network based business. The reasons for this seem to be a combination of four factors; a perceived lack of ambition amongst some companies; lack of support from the local broadcasters, compounded by the fact that the commissioner-producer relationship did not encourage an independent and entrepreneurial spirit amongst producers; and some London-based broadcasters' perceptions of a lack of quality in Welsh output; and Government's lack of engagement and understanding of the issues.

The Wales Creative Industry strategy *Creative Success* recognised that TV production was by far Wales' most significant creative sector and that an increased share of network broadcast was its most important goal. This document was the first step in establishing *The Hub* – a pool of specialist advisers with previous experience in running creative businesses and the IP Fund – a £7million pound fund designed to gap fund the development and retention of IP in Wales. This theme of investing in IP has been applied by Finance Wales investing fairly large sums (e.g. £500k in Greenbay and £600k in Calon) in return for equity in potential high growth companies.

Elements of this strategy have been successful, but the goal of increasing Wales' share of network has not yet begun to be achieved. The success of *Dr Who* and the success of the IP Fund have brought much needed and very welcome production spends into the Welsh economy, but the greater goal of having strong Welsh based companies enjoying long term security through owning valuable IP has not yet been won. For example, it is often said that *Doctor Who* may have little lasting impact on Wales as the IP does not reside there and for the first series at least, key production staff travelled from London (though this change to some extent in series two).

While S4C has undoubtedly brought benefits to the sector in Cardiff, there is a feeling that it has created something of a comfort zone for the sector; one of long-term contracts and small-scale programme making on a 'lifestyle' level. This is a comfort zone from which

Welsh companies are arguably only now emerging. Iona Jones has become head of S4C and has begun to bring about changes to the existing culture.

Consolidation has happened within Wales through highly focused financial incentives for a few up scaled suppliers but there is no real evidence of what can happen next. The support sector has not announced any new initiatives for some time. There is an expectation that Tinopolis will effectively move to London and that Boomerang don't have the resources required to acquire companies outside Wales, thereby becoming an acquisition target themselves.

There have been at least two innovative attempts to address the talent issue in Wales:

1. Leading Media Businesses was a course designed to increase the leadership capabilities of senior executives from Welsh digital media companies;
2. A scheme is in development to "import" senior production talent and share them across a number of companies, paid for by public sector finance.

Despite this, there is a sense of lost momentum in Wales. The mood amongst several of the Cardiff independent production companies now seems to be moving away from an ambition to conquer the networks to an ambition to benefit from the opportunities presented by new media.

Cardiff suffers from the same gaps in infrastructure as Bristol – i.e. a lack of investment community and relative lack of buyers, distributors and access to markets compared to London. There is an affinity between the key players in Cardiff and Glasgow and possibilities of sharing knowledge and ideas as to the way to develop the digital media sector.

6.0 BIRMINGHAM AND THE WEST MIDLANDS

6.1 Key statistics

6.1.1 West Midlands sector employment⁵⁴

Of total UK sector employment	3%
Total sector employment	6,200
Total permanent employees	4,900
Total freelance employees	1,300
Broadcast television employment	600
Independent television employment	500
Digital media employment ⁵⁵	2,800

6.1.2 Midlands commissioning spend⁵⁶

Total spend on TV production	£106 million
Of total UK spend on TV production	4%
Total spent by broadcasters on external commissioning	£22 million

6.2 Overview

The region's Screen, Image and Sound cluster was identified as a priority for the region in the first Regional Economic Strategy (2004). The cluster employs a minimum of 15,000 people, plus a large number of freelancers and micro businesses.⁵⁷

Research carried out into the region's digital media industries identified that the sector consists of around 620 SMEs with software development, design and new media being the largest three sub-sectors. The research identified that the companies with the greatest potential for growth were in the software, games and animation sectors, rather than the 'higher profile' and historically relatively well publically supported sectors of film, TV or music.⁵⁸

⁵⁴ Skillset (2006) *Employment Census 2006 – supporting dataset*

⁵⁵ Animation, Web and internet, Offline multimedia, Interactive TV, Mobile content and computer games

⁵⁶ Ofcom (September 2005) *Television Production Sector Review – a survey of TV programme production in the UK*

⁵⁷ Burns Owen Partnership (July 2007) *Screen, Image and Sound Cluster – Preliminary Impact Study*

⁵⁸ Pembridge Partners (May 2007) *Digital Central: Key Sector Data*

The Games sector is a real regional strength – nearly one fifth of the UK games workforce is employed in the West Midlands and some high profile companies are based in the region. The sector employs some 1,650 people in the region, making it second only to the South East.⁵⁹ It is interesting to note that the region’s games industry is, for the most part, located outside the Birmingham city region.

Within the West Midlands, Birmingham is recognised as a significant media centre.⁶⁰ The BBC – at the Mailbox in Birmingham and the Drama Village at University of Birmingham – is the largest employer in this sector in the West Midlands. The city is also home to ITV Central and newspaper publisher Trinity Mirror. There are also significant levels of activity in the sub-regions, including Stoke, Wolverhampton, Coventry and Leamington Spa.

6.3 Support for the sector

6.3.1 Advantage West Midlands (Regional Development Agency)

Overview

Advantage West Midlands leads the development of the region’s business base by attracting international investment, developing key industries, encouraging enterprise and innovation, raising skills levels and coordinating the provision of finance and business support to companies.

Aims

Advantage West Midlands has identified a number of key clusters for the region that it supports as a priority based on their current strength in the region and their potential to create lasting wealth and employment. One of the twelve clusters is the Screen Image and Sound Cluster, which includes all screen media: TV, film, video, animation, interactive games, e-learning, music, radio and photography. Each Cluster is led by a private-sector Cluster Opportunity Group (COG). As well as the Screen, Image and Sound Cluster, every technology corridor and regeneration zone in the region is involved in digital media projects. Digital media is one of the RDA’s innovation pillars.

Advantage West Midlands recently published its Screen, Image and Sound Strategic Cluster Plan for 2008-2011.⁶¹ The cluster will target three high growth markets:

1. Digital Content for Entertainment, with a focus on Film, Television, Games, Audio & Music. This includes:
 - Raising the sector’s profile nationally and internationally;
 - Creating new types of content and new forms of entertainment;

⁵⁹ Burns Owen Partnership (July 2007) *Screen, Image and Sound Cluster – Preliminary Impact Study*

⁶⁰ http://www.birmingham.gov.uk/GenerateContent?CONTENT_ITEM_ID=15110&CONTENT_ITEM_TYPE=0&MENU_ID=13628&EXPAND=121

⁶¹ Advantage West Midlands (November 2007) *Screen, Image and Sound Strategic Cluster Plan 2008-2011*

- Developing new business models & new approaches to content distribution.
2. Digital Lifestyle, focusing on digital media innovation. This includes:
 - Exploiting digital content to enable citizens to contribute and participate in sustainable and inclusive lives;
 - Enabling innovative and future focussed education from 5 years old;
 - Encouraging a healthy lifestyle through technology applications.
 3. Digital Business Futures, focussing on digital media to improve a range of business activities. This includes:
 - Delivering innovative training through games based learning;
 - Developing 3D Virtual environments for scenario and business planning;
 - Promoting virtual conferences;
 - Enabling business growth through innovative Web 2.0 techniques.

To develop target markets and address industry needs, the cluster has drawn up five strategic priorities:

- Lobbying to build the Digital Media sector through Place, Profile and Alignment of Business Support & Skills Plans. This will include, for example, lobbying for the building of centres of excellence and making the case to bring the Public Service Publishing HQ to the region;
- Encourage Innovation and the development of New and Global markets;
- Support business growth and skills development to create world-class creative enterprises in the region;
- Improve Information Signposting & Knowledge Networks;
- Improve regional data and sector intelligence to aide decision making.

These objectives will be achieved through three primary Programmes of Activities, which divide the sector into three parts:

- Screen Media: addresses the above strategies and target markets for film, television, games and interactive media. This will be delivered by the regional screen agency, Screen West Midlands.
- Audio & Music: addresses the objectives for audio content, including radio and music. This will be delivered by a replacement to the current *Digital Central* project.
- Serious Games: focuses primarily on the digital business futures markets of games based learning, virtual worlds, scenario and business planning. This will be delivered by the Serious Games Institute in Coventry.

The Screen, Image and Sound Cluster Manager has a direct cluster funding budget totaling £2,000,000 over three years. The sector also receives innovation technology funding support and support through each of the three regeneration zones in the region. The

Screen, Image and Sound Cluster Manager estimates that there is probably an aggregate spend of £20million to £30million to support the digital media sector in the region over the three year period which the strategy covers (2008 – 2011).

Recent achievements in the cluster supported by Advantage West Midlands include:

- Co-funded the £7m Serious Games Institute in Coventry's techno centre;
- Launched the international profile Serious Virtual Worlds Conference;
- Established a £4m Film and Digital Media Fund for the region;
- Set-up The Digital Event, which will spotlight Birmingham from 2008 and beyond;
- Funded a Digital Media Strategy for the region;
- Invested £6m in business space in Custard Factory, Eastside, Birmingham;
- Supported successful events, e.g. Plus Festival, Gigbeth and Rhubarb Rhubarb;
- Commissioned the Eastside Digital Media Centre feasibility Study.

What they offer

Digital media is one of Advantage WM's five "innovation pillars", meaning that it receives a high proportion of the funding directed towards innovation. The RDA funds several schemes which aim to develop the sector, and works through partner agencies to achieve Regional Economic Strategy Targets.

Level and source of funding

As an RDA, Advantage West Midlands receives funds from central government. The aggregate spend for digital media is around £20-30m over 3 years.

Advantage Development Fund

Overview

The development fund is intended to support new and existing screen media companies in developing new projects across all screen media, to take to market. It is intended to enable applicants to overcome market failure in the most high risk areas of industry by encouraging such companies to develop projects to a higher standard before taking them to market.

Value of fund in total

£300k

Source of funds

The ADF is funded by the regional development agency, Advantage West Midlands.

Number of companies supported

18 regional producers have been supported through the scheme to date.

Criteria for awards

The fund can be used for projects across all screen media including broadcast, feature film, video games and serious games, and interactive media. It can support a wide range of activity including script development, pre- production packaging, ideas generation and slate project funding. The advantage development fund is intended to support new and existing screen media companies in developing new projects to take to market.

Awards granted

Infinite Wisdom Pictures was granted upwards of £20,000 for investment in the development of a new slate of feature films. The development campaign was valued at £40,000, a sizeable proportion obviously being provided by the Advantage Development Fund. Screen West Midlands awarded Losky Films slate funding from the Advantage Development Fund for three feature films.

Advantage Creative Fund (ACF)**Overview**

Advantage Creative Fund is a venture capital fund set up specifically to assist the growth of the creative industries in the West Midlands by investing in creative businesses.

Value of fund in total

£5 million.

Source of funds

The ACF is funded by the regional development agency Advantage West Midlands, Arts Council England West Midlands and ERDF.

Number of companies supported

The fund has already made over 57 investments in 39 companies covering the length and breadth of the creative industries, from film production and animation companies, through orchestras to software companies and from television to new media businesses.

Advantage Creative Fund plans to make between 50 and 60 investments by 2008.

Criteria for awards

In order to qualify, businesses must be based in the West Midlands, within the creative industries, have good growth potential and proposals must be in the form of a business plan. Proposals from all kinds of creative businesses are welcome, including start-up enterprises and established companies. There is a particular interest to invest in businesses that demonstrate:

- A good understanding of their market
- A desire to make money
- A willingness to take risks

Awards granted

Advantage WM invest up to £250,000 into a business and in return take a small equity stake.

Previous successful companies include:

Maverick, Hotbed Media, Akhtar, Big Umbrella Media Ltd., Customplay Games Ltd., EDV Fine Art Ltd., Helfet Vision Ltd., Humdinger Productions Ltd., Marshall & Bell, Pixelearning Limited Ltd., Ridge Technology Ltd., ST Solutions, The 18th Century Concert Orchestra Ltd., Young Explorers (Publishing) Ltd.

Tribal Creative Launchpad

Overview

Tribal are a private company who operate the creative industries business support for the West Midlands and parts of the East Midlands.

Aims

Through the delivery of Creative Launchpad, Tribal aim to provide a flexible, approachable and professional service to the Creative Industries to realise the following:

- Improved productivity of micro-enterprises / SMEs, through skills development associated with the creation and application of knowledge assets, and with finding new markets for existing products / services;
- Improved employment levels within the Creative Industries sector, through improved productivity (see above);
- Improved enterprise capacity of individual creative businesses, through skills development associated with the commercial operations;
- Improved capacity of micro-enterprises / SMEs to trade internationally, through access to generic export support services;
- Improved innovation within micro-enterprises / SMEs, through specific capacity-building opportunities and through increased access to Higher Education;
- Improved skills levels through specific capacity-building interventions.

What they offer

Tribal Creative Launchpad base their client services of advice, guidance, business support, one-to-one consultancy, training and seminars for creative clients around a structure that will identify exactly what support is needed.

They often assist clients in identifying the extent of their business needs. Where they can solve them they will, where they can't, Tribal then look out to a huge number of support agencies to identify exactly the organisation that the client should be approaching.

Business Development Support available includes:

- Business Support - the provision of in-depth business support through the completion of a comprehensive business needs analysis and the creation of business development plans.
- Business Development Consultancy - the provision of business development support to established creative businesses through the provision of expert solution to business issues.
- On-going support/mentoring - the provision of on-going support and mentoring as needs change and the business develops and grows.

Level and source of funding

Creative Launchpad is supported by the ERDF, Learning & Skills Council, Business Link and Birmingham City University.

Strategic focus

Since the reorganisation of business support in the West Midlands through the BERR's Business Simplification Support Programme, priority groups receive specialist support: one of these groups is creative businesses. Tribal is now the provider of specialist business support for creative industries across the West Midlands. Business Link advisors and other services refer creative businesses to their services.

6.3.2 Screen West Midlands (Screen Agency)

Overview

Screen West Midlands has a remit to be the lead strategic body responsible for film, television and digital media. The Screen Agency is a lead partner on the delivery of the digital sector strategy, as detailed under Advantage West Midlands above.

Aims

Screen West Midlands aims to support, promote and develop a sustainable screen media sector in the West Midlands. Screen WM encourages film and programme making in the West Midlands by supporting local talent and attracting inward investment from other parts of the UK and abroad.

Screen West Midlands will⁶²:

- Promote the West Midlands region by raising the profile of its diverse locations;
- Promote the West Midlands by highlighting the abundance of talent within the region's screen media sector;
- Support businesses through skills development and financial assistance;

⁶² www.screenwm.co.uk

- Develop talent, from new entrants to professional freelancers and employees, within the West Midlands through skills development ;
- Promote digital media, interactive and games media development;
- Promote and develop participation by all members of the West Midlands communities in media production, consumption and enjoyment;
- Promote and develop digital media literacy and education;
- Support the region's moving image heritage and develop access to it;
- Develop and inspire audiences across a broad range of screen media;
- Promote and develop the cultural diversity of the region through the moving image.

What they offer

Screen West Midlands recently secured a £4 million investment fund for media production, across film, television and digital media, whilst the established Advantage Development Fund, which was originally focused on film and television, is now also going to be delivering on digital media (see below). Going forward, the focus is going to be on fewer, bigger awards that build on the region's core strengths, especially around the digital media and games industries.

Level and source of funding

Screen West Midlands is supported by Lottery funding, the UK Film Council, Advantage West Midlands, the EU Regional Development Fund and Skillset.

Film & Media Production Fund

Overview

The Film & Media Production Fund represents Screen WM's biggest fund and is targeted at supporting large scale projects from both indigenous talent and production companies from outside the region looking to locate a project within the West Midlands.

Value of fund in total

£2m

Source of funds

Advantage West Midlands and the European Regional Development Fund, via Screen West Midlands.

Number of companies supported

Five films

Criteria for awards

Screen West Midlands will invest in productions that contribute to building a sustainable screen media economy in the region. Although the funding is primarily targeted at feature film projects, they can also invest in interactive games production, single TV dramas, and feature length documentaries.

Awards granted

The Film & Media Production Fund can invest up to £500,000 or 25% of a project's budget, whichever is the lesser. The fund has recently contributed to high profile films such as *Confetti*, *The Road to Guantanamo*, *Straightheads*, *Clubbed* and *Almost Adult*.

Media Production Fund (also known as New Film & Media Production Fund)**Overview**

The biggest ever film fund to come out of the West Midlands will attract more feature film production to the region than ever before, help to support local film-making talent, boost the local economy and attract regional inward investment.

Value of fund in total

Screen WM has been given £4 million of additional production funds to invest in film and digital media production over the next four years.

Source of funds

Screen WM's fund is supported by Advantage West Midlands and the European Regional Development Fund from the Government Office for the West Midlands.

Number of companies supported

TBA

Criteria for awards

The new Media Production Fund is open to film and digital media projects from across the UK and productions will be green-lit on a commercial basis. However, an emphasis will be given to projects which film, carry out post production in or draw creative talent from the West Midlands.

Awards granted

The ground breaking feature film, *Faintheart*- winner of 'MySpace MyMovie Mash-up' competition and the world's first user-generated content movie- is being backed by Screen West Midlands and produced and distributed by Vertigo Films. The film will be shot entirely in the West Midlands.

6.3.3 Birmingham City Council

Overview

The creative industries are recognized by Birmingham City Council as being one of the city's key sectors of growth and expansion

Aims

The council aims to support the growth of the creative industries – including the digital media cluster – to encourage broader economic contributions to the city.

What they offer

There are major developments planned throughout the *Creative City* initiatives and many are already underway throughout Eastside, the Jewellery Quarter and the Custard Factory, all of which create a focus for further growth and support for the creative industries.

The Creative Development Team of the *Regeneration Service* operates a number of initiatives in order to assist creative industries which include:

- Business Support for the Creative Industries (BSCI) including the Creative City Awards
- Creative City: Innovation and Research and Development
- Creative Region
- Design Space - For Start Up Creative Businesses

The Digital Event, featuring the latest ideas and content from the worlds of film, games and interactive media, led by Birmingham City Council, will bring national and international profile to the region from 2008. This initiative has been established with Advantage West Midlands.

Business Support for the Creative Industries

Overview

This programme is designed to assist both new and existing SMEs within Birmingham and Solihull. The programme is managed by the council, and delivered via a number of key partners.

The programme aims to provide a holistic package of support, which encompasses the following four key elements:

1. Creative Space (Incubation): Up to £5,000 of grant support is available to:
 - Set up new business premises
 - Expand existing premises
2. Feasibility: A grant of £2,500 is available to help identify new market opportunities for products and services. The funding can be used to:
 - Assess the market for a new product or service

- Undertake specialist sector studies
 - Design Portfolios
3. Business Development: Up to 5-20 days consultancy support to develop a business in, for example, the areas of:
- Business planning
 - Sales and marketing plans
 - Financial planning, etc
4. Business Programmes: Master classes and workshops covering sector specific subjects such as:
- Intellectual property rights
 - Distribution
 - Contracting
 - Sales pitching

Value of fund in total

Unknown

Source of funds

Business Support for the Creative Industries (BSCI) is supported by the European Regional Development Fund.

Number of companies supported

To date, 850 creative companies have accessed *BSCI* funding to help develop their businesses.

Criteria for awards

Eligible businesses must be:

- Based in the West Midlands Objective 2 region
- Work in one of the creative sectors
- Employ less than 250 people
- Have received less than £120,000 of European funding in the last 3 years.

Awards granted

- *3form* is a young dynamic internet, software, and graphic design company. Creative Space assistance enabled the company to secure new premises in Eastside, and give them the space to increase their workforce.
- *Mediascope* is a multimedia marketing solutions company based in Aston Science Park, Birmingham. In 2004, a feasibility grant was awarded to Mediascope to help them develop a CD ROM, which promoted their complete product range.
- *The CharacterShop* is a 3D animation and production company. To underpin the development/expansion of its business, the CharacterShop maximised all the funding available to it under the Business Support for the Creative Industries programme. With

support from the Feasibility element of the BSCI programme, the CharacterShop produced a DVD show-reel to market the company more professionally, which resulted in them securing some significant contracts. In light of the increase in business and to accommodate its growing workforce, *the CharacterShop* moved to larger premises, with the assistance of Creative Space support.

6.3.4 Digital Central

Overview

Digital Central is a regional development project for digital media and music sectors, including Film, Television, Animation, Interactive Media, Computer Games, Digital Imaging, Music and Radio.

Aims

Digital Central aims to help West Midlands become nationally and internationally recognised for its digital media and music sectors. Their focus is on companies whose main business is within the Screen, Image and Sound sectors. In essence, this means the digital media and music content development sectors.

Their aim is to develop an enterprise culture for cluster businesses that will help accelerate economic growth and increase employment through the promotion of innovative new ideas, the development of new market opportunities and the nurturing of a new generation of cluster entrepreneurs. The project represents a major collaboration between the regional development agency, the private sector and higher education.

What they offer

Digital Central offers direct, targeted support to businesses as well as co-funding larger projects with partners.

Level and source of funding

The Digital Central consortium is led by the University of Central England and is funded by Advantage West Midlands to promote and develop the digital creative industries' economy in the West Midlands and set the region apart as a place where exciting and original content is created.

Boost

Overview

The Boost scheme ran until 2007 and was a support programme for anyone who had a business or business idea that fits within the area known as the Digital Industries. Mentors were recruited from both the digital industries and the business sector and worked with mentee businesses on the areas of business they needed help with. Individuals/companies could pick their own mentors and all participants were able to access up to 2 throughout the scheme. There were also a series of workshops scheduled over the course of the project covering a wide range of industry relevant sectors and topics.

Value of fund in total

£118,836

Source of funds

Hi8us West Midlands Ltd, Advantage West Midlands via Digital Central, Equal (European Social Fund).

Number of companies supported

40 companies were supported up until the scheme ended in 2007.

Criteria for awards

Applicants were required to be over 16 years of age and live or trade in the West Midlands. They had to express a willingness to complete and be dedicated to the full programme. Applicants could be a sole trader, fledgling business or individual (self-employed, limited company, charity, CIC, Partnership or Ltd. Liability Partnership) with a great business idea in any of the following areas:

- Animation and Interactive media
- Film and television
- Music (including radio)
- Computer gaming and Serious gaming
- Photography and Digital imaging

Awards granted

Kiernan Productions, Richard Foot, Soul Sohpal, Jeremiah Films, Ethnomite Pux, Phillip Mountford, Gaelle

6.4 Infrastructure and geography**6.4.1 Company base**

Two of the country's leading games developers, Codemasters and Blitz, are based in Leamington Spa in Warwickshire. These two companies alone employ over 500 people. Swordfish studios in Birmingham employs nearly 100 staff, and Sega is creating a racing studio in Solihull, initially bringing another 60 jobs and generating significant inward investment. Eidos and Slam Productions also have offices in the region. Significantly, Birmingham is also home to Centresoft/PDQ, one of the UK's largest games distribution companies.⁶³

In terms of new media, the region has an increasing number of agencies that are competing at a national level to win business from major national and global clients. These include: Freestyle New Media, 3Form, Clusta, Tamba, Made Media, TVS Media, Bit10, Fish in

⁶³ Burns Owen Partnership (July 2007) *Screen, Image and Sound Cluster – Preliminary Impact Study*

a Bottle, Fluid and Tak Tak. However, it is harder for Birmingham to compete in this area as London, South East and the North West are all considered to have significant strengths in new media.⁶⁴

The TV sector has also seen growth and Birmingham has a number of successful independent TV production companies including Maverick, Ragdoll, Hotbed Media, North One and Hanrahan Media.

6.4.2 Creative talent

The region benefits from a nationally recognised games sector and globally recognised serious games cluster, a strong university sector making significant investment in innovation and applied research for the sector and high numbers of creative and digital media students in the region, many of them with entrepreneurial drive and ambition.

There is internationally renowned academic expertise in virtual reality, digital imaging and entertainment technology at Warwick and Birmingham Universities, whilst the University of Wolverhampton is also a leading centre for animation. The Serious Games Institute, a Centre of Excellence which hosts the International Virtual Worlds Conference, is based at Coventry University.

As with many other UK regions, there is a question about retention of students who study in the region. There is a suspicion that many who qualify through the creative courses subsequently leave the region, though some consider that there is a discernible trend of later returners.

6.4.3 Studios and workspace

The creative industries are seen by Birmingham City Council as a key sector, in terms of the area's continued regeneration, growth and expansion, and also as a means of talent retention. The city council has invested in a number of major capital developments aimed at the creative industries throughout Eastside and the Jewellery Quarter, as well as the Custard Factory, with the aim of creating a focus for the industries. Creative industries developments include the Custard Factory, Greenhouse and Big Peg, while Eastside is being developed as a national and international hub for music, youth and digital media and imaging.

While the region has some strong post-production houses and sound dubbing facilities, there is a recognised lack of studio facilities with companies having to look outside the region to hire studio spaces. Advantage West Midlands is currently looking to undertake a feasibility study into the development of new studio facilities.

6.4.4 Sector support

There is strong sector support from public sector organisations and industry to grow Birmingham and the region as a magnet for creative industry business. Research undertaken into the region's support sector identified that there are some 82 organisations in the West Midlands providing support initiatives to the creative industries funded from a range of sources including ERDF, AWM, higher and

⁶⁴ Burns Owen Partnership (July 2007) *Screen, Image and Sound Cluster – Preliminary Impact Study*

further education, Business Links and local government. The research argues that these initiatives have not been co-ordinated by a comprehensive strategy and in some cases have under-performed and duplicated effort. The report goes on to summarise that there is a lack of joined-up-ness among the diverse range of policies and initiatives.⁶⁵

In recent years, the region has taken a strategic decision to develop competitive advantage through specialisation in the Serious Games sector. Levels of innovation, enterprise and knowledge transfer are high in the games sector, and have been supported by the Screen, Image & Sound cluster, Advantage West Midlands and the region's further and higher education institutions.

6.4.5 Transport and communications

Birmingham benefits from its location in the geographic centre of England. The city is well placed for travel to London, with regular trains taking only an hour and a quarter to reach the capital. This, coupled with relatively affordable housing, makes commuting into London from Birmingham a reality for many people. Birmingham is also well placed for travel to the North of England, including Manchester and Leeds.

6.4.6 Regional geography

The population of Birmingham is the most ethnically diverse outside of London and the youngest city in Europe – making it a very talented and creative place. However, with a long manufacturing tradition, the national and international profile of the region as a centre of creative industries is not high and this is felt to inhibit sales across the sector.

As with many out of London production centre, Birmingham experiences a strong drift to London during down times; arguably this is stronger than some other centres given the city's proximity to the capital.

A further issue relating to London is that when companies are looking to relocate or set up regional offices, Birmingham is felt to be too close to London. Companies either want to be just outside the M25 so they can still commute home to London, or they want to be further away and set up a big office so look for a base in Manchester, Bristol, Newcastle or Scotland. Consequently indigenous growth for the sector seems more realistic than significant inward investment.

6.5 Significant developments

In addition to the Serious Games Institute and Digital Central, the West Midlands has long hosted the *Orange Studios*, where the mobile network operator undertakes real time consumer research and development as well as showcasing its latest technologies and handsets.

⁶⁵ Research House UK (May 2006) *Support Structures for the Creative Industries in the West Midlands – Scoping Study*

The BBC's *Mailbox* development was until recently regarded as its flagship development in the nations and regions to the extent that bidders for the mediacity:uk development were taken on a guided tour of the building by BBC executives to demonstrate how to successfully engage the local community in a BBC development.

6.6 Company profiles

6.6.1 Maverick

Maverick was one of the first investments made by the ACF into the media sector. An original equity investment of some £125k enabled the company to match this through commercial loans and some grants. The money was used to open a London office; attract key talent (including an MD and Financial Director); and experiment in developing digital media formats.

Maverick achieved the targets set for it at the time of the investment and was able to return to secure a second tranche of money from the ACF, which enabled them to build on the existing momentum, achieve further success and lead to them being acquired by the All3Media Group.

6.6.2 Hotbed Media

The ACF invested early in the life of Hotbed, led by Johannah Dyer. Similarly to Maverick the money has been used to build both the talent and the IP assets of the company. The company has also been supported by Birmingham Chamber of Commerce to attend MIP as a means of showcasing its format based approach. Hotbed recently bought out the venture investors and is now considering their options for growth including developing a superindie through acquisition. They see Tern as a peer and role model.

Freestyle New Media

Freestyle is a full-service digital agency offering strategic consultancy, creative design and technical build across a range of digital channels. They work in a number of core areas – websites, campaigns, new channels, DVD/CD-Rom, Knowledge Management, Intranet/Extranet and the Automotive Industry.

At 11 years old, with 60 members of staff, Freestyle is one of the most established digital agencies in the UK, and was ranked 14th by NMA in 2006 for design & build, making it one of the highest placed digital agencies outside London.

Clients include, Drambuie, Advantage West Midlands, ICI, Virgin Holidays, Land Rover and Volvo.

6.7 Summary

Birmingham, like Glasgow is home to the regional BBC presence and is also home to ITV Central, which includes the former Carlton TV, previously based in Nottingham.

Advantage West Midlands is the regional development agency and was one of the first RDAs to actively support the wider creative industries through a series of property-led regeneration projects such as the Custard Factory and the Jewellery Quarter.

Advantage West Midlands has identified a number of key clusters for the region that it supports as a priority for the West Midlands, based on their current strength in the region and their potential to create lasting wealth and employment. One of the twelve clusters is the Screen Image and Sound Cluster, which includes all screen media: TV, film, video, animation, interactive games, e-learning, music, radio and photography. Each Cluster is led by a private-sector Cluster Opportunity Group (COG).

Due to Birmingham's and the West Midlands' success with the Advantage Development and Creative Funds and their focus on developing non-broadcast expertise in interactive media, companies in this area are developing and selling creative and digital content and expertise to blue chip companies outside of the media sector. This is becoming a real USP for the region as broadcast content skills are finding more lucrative international markets, using product based business models and retaining intellectual property to build value for the owners and investors.

The region benefits from a nationally recognised games sector and globally recognised serious games cluster, a strong university sector making significant investment in innovation and applied research for the sector and high numbers of creative and digital media students in the region, many of them with entrepreneurial drive and ambition. Two of the country's leading games developers, Codemasters and Blitz, are based in Leamington Spa in Warwickshire. These two companies alone employ over 500 people. Swordfish studios in Birmingham employ nearly 100 staff, and Sega is creating a racing studio in Solihull, bringing another 60 jobs initially and significant inward investment. Eidos and Slam Productions also have offices in the region. Significantly, Birmingham is also home to Centresoft/PDQ, the UK's largest games distribution companies.

There is internationally renowned academic expertise in virtual reality, digital imaging and entertainment technology at Warwick and Birmingham Universities, while the University of Wolverhampton is also a leading centre for animation. The Serious Games Institute, a Centre of Excellence which hosts the International Virtual Worlds Conference, is based at Coventry University.

Birmingham seems to suffer from being close to London – but not quite close enough. Companies either want to be just outside the M25 so they can still commute home to London, or they want to be further away and set up a big office in an established regional hub so look for a base in Manchester, Bristol or Scotland. Consequently indigenous growth for the sector seems more realistic than significant inward investment.

Birmingham and the West Midlands have taken a bold stance which is strongly based on a new media model, whilst not abandoning traditional broadcast media. Both have a recognised strength in games development but Scotland lacks the resource that the West Midlands appears to invest in the development of the sector. Two other factors of note are the presence of a major distributor in the West Midlands, which is missing in Scotland and the fact that the COG's are private sector led.

7.0 GLASGOW AND SCOTLAND

7.1 Key statistics

7.1.1 Scotland sector employment⁶⁶

Of total UK sector employment	5%
Total sector employment	9,800
Total permanent employees	6,900
Total freelance employees	3,000
Broadcast television employment	1,300
Independent television employment	1,200
Digital media employment ⁶⁷	3,800

7.1.2 Scotland commissioning spend⁶⁸

Total spend on TV production	£138m
Of total UK spend on TV production	5%
Total spent by broadcasters on external commissioning	£29m

7.2 Overview

Recent research carried out by Ekos⁶⁹ identified that there were just under 16,000 individuals employed within the Digital Media sectors in Glasgow in 2005. There were 920 companies in the digital media sector in the city comprising 15% of all the digital media business of Scotland. The total GVA for Glasgow's sector was just under £600million in 2004, accounting 21% of Scotland's total GVA for the sector⁷⁰ Therefore compared to national and regional data included in the Ekos report, Glasgow emerges as a strong focus for the digital media industries in Scotland.

⁶⁶ Skillset (2006) *Employment Census 2006 – supporting dataset*

⁶⁷ Animation, Web and internet, Offline multimedia, Interactive TV, Mobile content and computer games

⁶⁸ Ofcom (September 2005) *Television Production Sector Review – a survey of TV programme production in the UK*

⁶⁹ EKOS Ltd (September 2007) *Baseline Analysis of the Digital Media and Creative Industries in Glasgow and Metro West*

⁷⁰ EKOS Ltd (September 2007) *Baseline Analysis of the Digital Media and Creative Industries in Glasgow and Metro West*

7.3 Support for the sector

7.3.1 Scottish Enterprise (Regional Development Agency)

Overview

Scottish Enterprise's mission is to help the people and businesses of Scotland succeed. In doing so, it aims to build a world-class economy. The Digital Media Industries are a priority sector for the organisation. This includes those industries which have the potential to develop or distribute content using digital technology and platforms; broadcasting (both tv and radio) publishing, music publishing, games and learning technologies.

The Electronic Markets industry team supports the growth of the Digital Media Industries in Scotland by working with industry to ensure that Scottish Enterprise undertakes initiatives to develop a business environment supportive of growing the sector, whilst working with network colleagues to develop more global, high growth companies of scale in the sector.

Aims

Scottish Enterprise's key priorities are to provide a range of high-quality services to:

- help new businesses get underway;
- support and develop existing businesses;
- help people gain the knowledge and skills they will need for tomorrow's jobs; and
- help Scottish businesses develop a strong presence in the global economy - building on Scotland's reputation as a great place to live, work and do business.

What they offer

Scottish Enterprise supports digital media businesses directly through account management services, including:

- Guidance and support delivered by a team of business development professionals to owner/managers on a one to one basis. Account management is offered when a business shows not only growth potential but also a willingness to engage at a strategic level. The Account Manager works within an intervention framework where access to Scottish Enterprise consistent suite of products and services to businesses are deployed to best effect. These services are managed by a Team of Product Managers who work with the Account Manager to ensure that the company receives the most appropriate advice and support available.
- Operational efficiency/Lean management supported by the Scottish Manufacturing Advisory Service – SMAS
- Access to specialist support services in the form of Marketing Advice, E-commerce Advice, Human Resource Development, International advice both exporting and importing goods and services, Leadership Development, Innovation support in terms of developing new products. In essence an 'Account Team' is formed in support of each individual business and their needs.

Scottish Enterprise assists companies in accessing other sources of funding, including the Small Company Innovation Scheme (SCIS) and the Regional Selective Assistance (RSA) grant scheme.

Scottish Enterprise also supports companies to internationalise their businesses through Scottish Development International and the network of Business Gateway International offices.

The organisation also supports the growth of digital media in Scotland by investing in a whole host of projects that support the wider sector. These include: Glasgow Film Office (which was set up with Scottish Enterprise funds); TRC; Hillington Park Innovation Centre / Wireless Innovation; Cultural Enterprise Office; Film City Glasgow; Targeting Innovation; ITI Tech Media; BBC Innovation Labs; and 4Talent. These projects will be discussed further below.

Level and source of funding

Scottish Enterprise is Scotland's main economic development agency, funded by the Scottish Government.

The Proof of Concept Fund

Overview

The Proof of Concept Programme (PoCP) was initiated in 1999 to support the commercialisation activities of Scottish academe. The purpose of PoCP is to add value to emerging and commercially sensitive technologies from Scotland's research base and to facilitate the technology transfer process. This fund is open to all industries, not just digital media companies.

Value of fund in total

£79 million.

Source of funds

Scottish Enterprise (SE) and the European Regional Development Fund.

Number of companies supported

To date, over 850 applications have been received and 200 projects have been supported. However, only a handful of these companies have been digital media-based, and there is scope for the fund to attract more applications from this growing sector.

Criteria for awards

Projects usually occur after advances made during curiosity-driven or strategic research within the research base. Applications are normally from projects where a background patent has been filed, but before any pre-production / prototyping work or funds have begun.

Awards granted

Once awarded, the project is led by a Principal Investigator, usually a Faculty member of the Institution, and the team includes a number of other key technical individuals: PoCP Associates (the majority educated to postdoctoral level), who deliver the technical and in some cases the commercial milestones; and a member of the Institution's commercialisation team. Ultimately it is expected that the

recipient institutions will commercialise the output from these projects by the most effective means including licensing to indigenous Scottish companies, or via the start-up of high technology spinout companies.

The Co-investment fund

Overview

The Scottish Co-investment Fund (SCF) has been set up by Scottish Enterprise to increase the risk capital available for investment opportunities in small but ambitious Scottish companies. Industry sectors eligible for SCF investment include: technology, creative businesses, electronics, manufacturing, pharmaceuticals and biotechnology.

Value of fund in total

The Scottish Co-investment fund is a £45m equity fund that can invest up to £500,000 in company finance deals of up to £2m. Since the fund was launched in April 2003, it has contributed £13.5m alongside a private sector contribution of £31m. (These figures are for all industries and are not specific to the creative industries)

Source of funds

The fund is part funded by the European Regional Development Fund. The fund secures co-investment partners from private sector firms such as Alice Ventures, Aurora, Bank of Scotland Equity, Barwell plc, E-Synergy Ltd, Spring UK Ltd. and UKSE Fund Managers Ltd.

Number of companies supported

105 companies have been supported since the fund's launch. (This figure is for all industries and is not specific to the creative industries).

Criteria for awards

The fund is open to SMEs based principally in Scotland with net assets of less than £16m and up to 250 employees. The sectors eligible for investment are: technology, creative businesses, electronics, manufacturing, pharmaceuticals and biotechnology.

Awards granted

Most awards granted so far have been to technology companies.

Digital Media Project Fund (DMPF) [closed]

Overview

Scottish Enterprise developed the Digital Media Project Fund to provide commercial investment for projects undertaken by Scottish companies. The fund complemented the Co-Investment Fund (see above), differing in that no equity stakes were taken in the

companies or the projects, instead providing funding for individual digital media projects with returns via royalties on completed products. The fund was set up to try to make the digital media industries more appealing to the private investment market.

Value of fund in total

£5m was available over 3 years.

Source of funds

The fund worked with approved private sector investment partners to provide project funding for digital media companies on a commercial co-investment basis. These partners were responsible for making the investment decision and for finding and negotiating the investment opportunity, assessing its viability and the value of the opportunity. They then invested their own money along with the DMPF.

The fund partnered four investment firms in the private sector: Sigma, Ingenious Ventures Ltd for TV projects, Fund4Games and Glasgow Film Finance Ltd.

Criteria for awards

Projects had to be undertaken by a Scottish company and/or be substantially produced in Scotland. The Project Fund was aimed at interactive games, music, film, TV and radio and publishing and was available only to projects where there an established route to market or distribution channel was in existence.

Awards granted

Supported projects included the feature film *On A Clear Day* (2005).

7.3.2 Scottish Screen (Screen Agency)

Overview

Scottish Screen is the national screen agency for Scotland, based in Glasgow, with responsibility for developing all aspects of screen culture and industry across the country. There are plans to merge the functions of Scottish Screen and the Scottish Arts Council under a new organisation Creative Scotland, which will also have a proposed wider set of responsibilities for developing the cultural and creative sector in general.

Aims

Scottish Screen is working to drive an integrated screen policy across Scotland, and across the screen industries. Scottish Screen do this through being:

- An advisor to government;
- An advocate for the industry;
- A development agency;

- A strategic investor.

What they offer

The agency works in close partnership at local, regional, national and international levels across the public, private and voluntary sectors. The agency invests money, including National Lottery funds, in a number of different areas. Work includes:

- Production company growth;
- Short and feature film development and production;
- Freelancer and company skills development;
- Experimental, alternative and interactive digital screen content, formats and platforms;
- The development and production of television drama pilot;
- Audience and market development and distribution initiatives.

Level and source of funding

Scottish Screen invests around £6m in the development and promotion of Scotland's screen industries each year. This includes distributing £2.7m of National Lottery funds and £3m Grant in Aid. The agency invests in a range of initiatives, projects and activities designed to develop talent, audiences and businesses across the country.

Business development loans [closed]

Overview

The aim of such loans is to offer Scottish-based companies an opportunity to access finance where access to commercial finance may be restricted. In providing companies with a Business Development Loan Scottish Screen aims to stimulate the development of the screen sector in Scotland, creating sustainable and dynamic businesses for the future.

Value of fund in total

The Business Development Loan Fund invested £372,310 in 2007.

Source of funds

Funds are allocated to Scottish Screen through National Lottery Funds.

Number of companies supported

The fund invested in seven companies in 2007.

Criteria for awards

Scottish Screen is seeking to support the development of talent and creative excellence through its investments thus it looks to productions that:

- Allow Scottish talent to develop;

- Create work recognised as creatively excellent;
- Create work recognised as original and innovative;
- Promote Scotland, Scottish identity and Scottish talent to a national and international audience.

Scottish Screen will give priority to investments where the applicant can clearly demonstrate that there is an audience or clear route to market for their project/activity. The investment provides companies with an opportunity to sustain, develop or grow an aspect of their business for a period of up to two years, without having to repay the loan or pay interest during this period.

Awards granted

- MNE Television: £80,000 over two years
- Slate North: £50,000 over two years
- La Belle Allee Productions Ltd: £19,810 over one year
- Savalas Ltd: Up to £67,500 over 2 years
- Synchronicity Films Ltd: £40,000 over one year
- Caledonia TV Productions: £75,000 over two years
- Hopscotch Films Ltd: £40,000 over one year

Short film fund

Overview

Scottish Screen's investment in short film production aims to encourage strong cinematic voices to be exploited and produced that are capable of winning international recognition.

Value of fund in total

Investment available for 2007/8: £150,000.

Source of funds

National Lottery.

Number of companies supported

3 projects were supported in 2007.

Criteria for awards

Work should be capable of significantly raising the profile of the team attached. Projects should be creatively and commercially ambitious and have high production values. The quality of the writer, producer and director's previous work will be assessed rigorously.

Maximum Investment - £50,000 per project

Minimum Partnership Funding Required – 25%

Maximum in kind contribution – In kind costs will be accepted of which up to 10% can be in deferred fees.

Awards granted

- 55 Degrees Ltd for *Love Me* (£44,788)
- Autonomi Ltd. for *Banda Europa* (£2,000)
- Sigma Films for *Dog Altogether* (£35,000)

Content development fund

Overview

Scottish Screen's investment in Content Development aims to assist Scottish talent in developing projects to take to the marketplace. Content Development funding can be given for script development and pre-production on projects that have a significant chance of being screened at cinema or broadcast.

Value of fund in total

Investment available for 2007/8: £280,000

Source of funds

National Lottery

Number of companies supported

17

Criteria for awards

Scottish Screen will place a strong emphasis on supporting projects that have a significant chance of being realised and distributed through an appropriate medium whether that be via television or cinema.

Maximum Investment - £50,000 per project

Minimum Partnership Funding Required – 25% for awards of up to £25,000; 50% for awards over £25,000

Maximum in kind contribution – 15%

Awards granted

Awards granted include:

- Code Film 81 Ltd. for *A Chinese Case* (£2,993)

- Big Box Network Ltd for *Balancing On The Edge of The World* (£4,250)
- Scottish Documentary Institute for *Future for Sale* (£11,250)
- Catherine Bailey Ltd. for *Flip* (£1,000)
- Scottish Arts Council for *Artists' Film and Video* (£25,000)
- Iris Pictures for *Beast* (£14,700)
- Sigma Films for *The Ordinary* (£18,765)
- Slate North for *Me & Ma Gal* (£50,000)

Pilot fund

Overview

Scottish Screen's Pilot Fund aims to provide support for production companies to develop and produce innovative pilots of projects. The fund will provide companies with investment for a pilot for a feature film or for the production of an episode for a television series. It can be used to:

- Help sell a longer form version of a project to financiers such as broadcasters, sales agents and/or distributors.
- Explore key aspects of a project ahead of a full commission.

Value of fund in total

Investment available for 2007/8: £100,000

Source of funds

National Lottery

Number of companies supported

1 in 2007.

Criteria for awards

Scottish Screen is seeking to support the development of talent and creative excellence through its investments thus it looks to productions that:

- Allow Scottish talent to develop;
- Create work recognised as creatively excellent;
- Create work recognised as original and innovative;
- Promote Scotland, Scottish identity and Scottish talent to a national and international audience.

Scottish Screen will give priority to investments where the applicant can clearly demonstrate that there is an audience or clear route to market for their project/activity.

Maximum Investment - £25,000 (Feature Film), £100,000 (Television)
Minimum Partnership Funding Required – 25% (Feature Film), 50% (Television)
Maximum in kind contribution – 15% (Feature Film), 25% (Television)

Awards granted

Makar Productions for *Child of Air* (£20,000)

Future fund

Overview

Scottish Screen's Future Fund aims to support the development of experimental, alternative, interactive digital screen content and stimulate collaboration between traditional content development and production companies and companies working in the interactive digital media sector.

Value of fund in total

Investment available for 2007/8: £150,000.

Source of funds

National Lottery.

Number of companies supported

Two in 2007.

Criteria for awards

Scottish Screen will provide investment from the Future Fund for the research and development of interactive digital media projects that are innovative in their form content and delivery and that have the potential to be exploited commercially.

Maximum Investment - £25,000 per project
Minimum Partnership Funding Required – 25%
Maximum in kind contribution - 15%

Awards granted

MNE Television for *Bounci TV* (£25,000)

Markets and Festivals

Overview

Scottish Screen's investment will enable Scottish based talent to attend national and international markets and festivals to promote themselves and/or their projects. Attendance at markets and festivals should significantly enhance the prospect of an individual, a company or a project in securing future investment from the marketplace.

Value of fund in total

Investment available for 2007/8: £25,000.

Source of funds

National Lottery.

Number of companies supported

24 in 2007.

Criteria for awards

This fund is not available for individual or companies for research or information gathering.

Maximum Investment - £1,500

Minimum Investment - £250

Minimum Partnership Funding Required - 25%.

Awards granted

Awards granted so far have been between £250 and £1,250 and have been used to access opportunities overseas by Tern Television, Media Co-op and Brocken Spectre among others. This has included attendance at International Chicago Film Festival, Strategic Partners and b.Tween.

Express Film Fund

Overview

Scottish Screen's Express Film Fund is a new fund (launched in 2007) that aims to fast track production companies by enabling them to produce innovative projects. The fund will provide companies with the investment for the production of a micro budget feature film or the production of a one off feature film for television.

Value of fund in total

Investment available for 2007/8: £300,000.

Source of funds

National Lottery.

Number of companies supported

None so far – this is a new scheme.

Criteria for awards

Projects must have the potential to significantly raise the profile of individual talent and companies within a national and international context and attract market and public interest thus generating income for the company and/or the project's key creators.

Criteria for feature films:

- Must be a maximum of 100 minutes in duration
- Must demonstrate potential to screen theatrically
- The fund will support unconventional projects or processes

Criteria For one-off film for television:

- Expected to be between 60 – 90 minutes
- Application must include fully developed script

Minimum Partnership Funding Required - 50%

Maximum in kind contribution - 25%

Awards granted

n/a

Content production**Overview**

Scottish Screen's investment in the production of content aims to provide the necessary support to production companies for the financing of physical production.

Value of fund in total

Investment available for 2007/8: £1.9m.

Source of funds

National Lottery.

Number of companies supported

Three in 2006/7.

Criteria for awards

Projects should be distinctive, high quality and commercially viable. They should provide opportunities for Scotland's talent to demonstrate their ability in an international arena.

Scottish Screen is seeking to support the development of talent and creative excellence through its investments thus it looks to productions that:

- Allow Scottish talent to develop;
- Create work recognised as creatively excellent;
- Create work recognised as original and innovative;
- Promote Scotland, Scottish identity and Scottish talent to a national and international audience.

Scottish Screen will give priority to investments where the applicant can clearly demonstrate that there is an audience or clear route to market for their project/activity.

Maximum Investment - £500,000

Minimum Partnership Funding Required - 75%

Awards granted

- 4 Way Picture Scotland Ltd for *The Man who Walks* (£400,000)
- Sixteen Films for *Summer* (£95,000)
- The Mob Film Company for *Stone of Destiny* (£500,000)

New Talent Development Initiative Fund**Overview**

This fund is due to be relaunched in 2008.

Value of fund in total

The New Talent Development Initiative Fund invested £299,950 in 2007.

Source of funds

National Lottery

Number of companies supported

4 in 2007.

Criteria for awards

The production company must be based in Scotland and show capacity to run the initiative.

Awards granted

- GMAC for GMAC Shorts (£75,000)
- Scottish Documentary Institute for Bridging the Gap 5 (£74,950)
- Theatre Workshop for Trouble Sleeping (£75,000)

7.3.3 Glasgow City Council

Overview

Glasgow City Council was a ground breaking council in that it adopted what was termed “the arts and cultural sector” to drive regeneration and economic growth for the city. This has evolved into their policy of supporting a wide range of creative, cultural and digital businesses through direct business support, property and workspace provision.

Aims

The council aims to support the creative industries and their contribution to economic development and regeneration.

What they offer

The Economic Development and Regeneration Department also has a range of other grants that are available to businesses of all sectors including digital media. There are grants and low interest rate loans available for basic infrastructure such as software, IT and other capital purchases. They have provided finance in the past for the purchase of vehicles and equipment for set builders, media caterers and many others across the media spectrum. They also provide small grants for the development of marketing materials such as websites.

The Council also contributes to the budget of Business Gateway International - Glasgow in partnership with Scottish Enterprise and the Glasgow Chamber of Commerce. Business Gateway International is a specialist support organisation that assists companies to develop export strategies and helps companies visit trade shows and exhibitions as well as providing bespoke market scoping studies.

7.3.4 Glasgow Film Office

Overview

Established in 1997, Glasgow Film Office (GFO) provides support for film and television drama production. GFO has grown over the years to become an organisation which acts as both film commission for the City of Glasgow and a sectoral development agency for the film and television companies located in the City. Glasgow Film Office is part of a network which includes :

- Scottish Highlands and Islands Film Commission-
- South West Scotland Film Commission
- TayScreen

- Edinburgh Film Focus

Aims

The main aim of GFO is to foster a successful production environment in Glasgow which will allow indigenous production companies to develop and thrive as well as promoting Glasgow as an internationally recognised centre for film, television and commercials production.

What they offer

GFO offers strategic measures which allow local SMEs to sustain a competitive advantage in the UK. GFO will work with local production companies and facilities & service companies to help develop more businesses of scale within the city, working with businesses that have demonstrated high growth potential whatever their size. GFO signposts its client companies to key agency partners that operate in the wider business development network in Glasgow, providing a comprehensive guidance service to access the best expert advice available and the most appropriate funding for its clients' needs.

GFO also facilitates filming within Glasgow through its location, crew and facilities databases.

Level and source of funding

GFO is funded with the support of Scottish Enterprise Glasgow, European funding through Strathclyde European Partnership and Glasgow City Council. The majority of funds required to implement business strategies are accessed from other sources.

7.3.5 TRC (The Research Centre)

Overview

TRC is an independent charity launched in 1998 as The Research Centre for Television and Interactivity. The centre is acts as a broker and facilitator for a range of training programmes and industry events. Their key partnerships include Channel 4, the BBC and a host of public agencies.

From their base in Glasgow, and now also in Manchester, TRC works with dozens of independent production companies around the UK every year. Their support ranges from hot-desking to high-end training.

Aims

TRC aims to facilitate and support all parts of the creative community.

What they offer

TRC provides industry-wide training and development for key talent, both programme makers and business leaders; it produces research on the main structural and strategic challenges; it works in partnership with the leading broadcasters, independent producers

and development agencies to help build the creative content sector in the UK; and like the industry TRC serves, it is currently extending its knowledge into emerging digital platforms and global markets.

Level and source of funding

TRC is an independent charity which has received significant support from Scottish Enterprise, Channel 4 and ERDF since its launch.

7.3.6 4Talent

Overview

4Talent (formerly known as IdeasFactory) was developed by Channel 4 in consultation with various partner organisations with the aim of improving access and diversity in order to support and develop the creative industries in Scotland. During an evaluation it was described as “a resource for young people to refer to and connect with Ch 4 – gain knowledge, training and show case their work. Offline it was there to build local networks with companies in the community and also to create businesses.”

Aims

The primary objective of the project is ‘to strengthen the competitive edge of the Scottish Creative Industries cluster by supporting, developing and expanding the talent and skills base’.⁷¹

What they offer

The planned output of the project was originally a series of events and master classes and complete works that then could be further used as finished productions by other partners helping to promote Scotland as a creative place. It was intended that the successful productions would be achieve airtime on Channel 4 and also be showcased on multiple platforms across the web.

IdeasFactory was set up in four centres that account for 65% of all creative activities in Scotland but access to the programme was not limited to those places. Each city chose a theme for the productions as follows:

Aberdeen: design

Dundee: animation

Edinburgh: documentary

Glasgow: comedy⁷²

⁷¹ Scottish Enterprise National, Project Advisory Group Clusters & Industries, “Creative Cities/Ideas Factory” – A Creative Industries Skills Development Project, Project Brief, p. 1

⁷² Scottish Enterprise National, Project Advisory Group Clusters & Industries, “Creative Cities/Ideas Factory” – A Creative Industries Skills Development Project, Project Brief,

Level and source of funding

Scottish Enterprise contributed £600,000 to the original IdeasFactory project. This resulted in direct leverage of £2,700,000 in co-funding from Channel 4 and the other partners.

7.3.7 Hillington Wireless Innovation Centre**Overview**

Wireless Innovation plays a key role in providing business development, market intelligence and product development support to over 140 companies developing wireless and mobile products and services across Scotland. Operated by Innovation Centres (Scotland) Ltd (ICS), Hillington Wireless Innovation provides a world-class support and advisory service to the sector.

Aims

The aim of Hillington Wireless Innovation Centre is to support the development and growth of Scotland's entrepreneurs and companies who are engaged in providing the next generation of high-technology businesses and new jobs

What they offer

Hillington Wireless Innovation has two ways of facilitating interactions:

- One-to-one surgeries which involve their commercial partners and advisers working face-to-face with Scottish companies.
- Developer Forums – their regular events bring Scottish developers together to meet the major players within mobile, RFID and M2M markets and monitor recent movements and trends in these sectors.

Hillington Wireless Innovation provides:

- Market intelligence – with access to a wide range of well-known research resources.
- Product development support – identifying market opportunities and testing product viability
- Business development opportunities - using strong partnerships with leading commercial players, including BT, Siemens, Nokia, Oracle, Microsoft, Symbol Technologies, Orange and T-Mobile.

Hillington Wireless Innovation can interpret research data to provide a tailored service, answer businesses' questions and highlight the commercial relevance of such research to specific business. Many companies use this type of information to create and develop business plans and evaluate new markets and products.

Level and source of funding

Hillington Wireless Innovation Centre is a private-public joint venture. The project is part financed by the European Union and is backed by Scottish Enterprise.

7.3.8 ITI Techmedia

Overview

ITI Techmedia was established in 2003 by the Scottish Executive. It is a member-based organisation which identifies market opportunities then develops and manages a portfolio of cutting-edge intellectual property in the global market for digital media and communications technologies. ITI Techmedia is one of the three Scotland-based Intermediary Technology Institutes which make up ITI Scotland.

Aims

The aim of ITI Techmedia is to bridge the innovation gap between early stage research and high growth business opportunities whilst bringing Scotland to the forefront of the global market for digital media and communications technology, stimulating economic benefit for the country.

What they offer

Working with its members and the technology community, ITI Techmedia commissions and funds R&D to the point of commercial viability and has recently published the results of foresighting into ubiquitous computing. Together with its counterparts in Life Sciences and the Energy sectors, ITI Techmedia will invest £450 million over ten years to develop a range of pre-competitive technologies with global market potential.

Level and source of funding

The project is part financed by the European Union and is backed by Scottish Enterprise.

7.3.9 Targeting Innovation Limited

Overview

Targeting Innovation (formerly known as Services to Software Ltd) is a consultancy that provides specialist business development expertise to companies in technology-driven sectors and helps companies introduce innovation into their organisation.

Aims

The company aims to provide effective support to the growing software industry in Scotland.

What they offer

The company has three specialist areas: innovation support, sectoral-based consultancy and programme management and also has advisers with specialist expertise in ebusiness and managing intellectual property and intellectual assets within organisations. Targeting Innovation co-ordinates all the services of the Innovative Relay Centre throughout Scotland and offers comprehensive mentoring, advisory and events services covering all aspects of developing a business based on innovative technology.

Targeting Innovation have provided specialist support to over 5000 businesses throughout Scotland and the rest of the UK. Since 2003, Targeting Innovation has hosted the Scottish Software Awards as a means to promote and encourage the Scottish software industry in developing world class products.

TIL is currently active in the digital media sector where there are opportunities to build IP in technology developments relating to digital media content distribution. It helps digital media companies secure grants such as the Media Development Project, the Technology Development Project and innovation related grants such as the Small Company Innovation Scheme.

Level and source of funding

Funding from Scottish Enterprise Glasgow and the European Regional Development Fund allows the company to operate as a non-profit organisation with heavily subsidised rates.

7.3.10 Cultural Enterprise Office

Overview

The Cultural Enterprise Office is Scotland's specialist Business Development Service for creative and cultural practitioners and micro businesses. The service currently operates in Glasgow, Aberdeen, Dundee and Edinburgh.

Aims

The office aims to provide information resources for those setting up in business in the creative and cultural sector.

What they offer

The Cultural Enterprise Office provides an information and enquiry service as well as a professional development programme of seminars, training and networking events.

Individuals and companies can make appointments for an advice session focusing on their particular business development needs in which clients are encouraged to draw up an action plan which is supported by follow-up information from the Cultural Enterprise Office. More specific advice is also available via access to a growing pool of art-form specialists in areas such as Community Arts, Design, Film and Animation, Music and Performance. Sessions are arranged for clients on a case-by-case basis. Specialised advice sessions are also available for existing cultural businesses which concentrate on finance, tax, marketing or legal advice.

The Cultural Enterprise Office runs free seminars, training and networking events for practitioners, as well as a number of professional development events where individuals and companies can meet other artists and creatives, develop skills to support their work and keep up to date with current working practices. These events are run independently and in partnership with organisations which represent particular art forms or industry sectors.

Level and source of funding

The Cultural Enterprise Office is funded by: Scottish Enterprise, Scottish Arts Council, Aberdeen City Council, European Structural Funds, Dundee City Council, Edinburgh College of Art and Glasgow City Council.

7.3.11 Film City Glasgow**Overview**

Film City Glasgow is a support agency for the digital media industries in the city.

Aims

Film City Glasgow aims to support growth in the digital media sector, including television. The project is situated at the heart of a major new business district and close to Pacific Quay – Scotland’s digital media campus.

What they offer

Film City Glasgow incorporates a space available for filming, post production facilities, short term production office space and an art workshop. Since opening, Film City Glasgow has facilitated the production of several feature films, shorts and programmes, including Sigma Film’s *Hallam Foe* and Black Camel Production’s *Outpost*.

Level and source of funding

Film City Glasgow is a £3.5m project spearheaded by Sigma Films with the support of Glasgow City Council, Scottish Enterprise Glasgow and the European Regional Development Fund.

7.3.12 New Media Scotland**Overview**

New Media Scotland supports artistic experimentation. The organisation exists to support those working at the intersection of art, technology and science.

Aims

Through working with and supporting the presentation of work by artists within the field of experimentation, NMS hope to foster greater public understanding of the role that technology is playing in contemporary culture. By supporting emergent practice NMS aims to encourage greater appreciation of the interrelatedness of the fields of art, technology and science.

What they offer

- Programming and presenting work, both through partnering with existing institutions and directly;
- Commissioning and Co-Commissioning new work;
- Providing Professional Development Opportunities;
- Supporting Research and Development initiatives, particularly within a collaborative framework;

- Expanding the perception and reception of this work through debate, discussion, networking, information exchange, critical reviews, and holding roundtables;
- Providing quality arts experiences to the widest possible audiences.

Previous and ongoing projects that have received funding from New Media Scotland include: *Designer Bodies, Host, Drift, Alt-w, Community Green, [murmur]: edinburgh, Poker Club, Upgrade! Scotland*. (See above website for more info on these collaborations).

Level and source of funding

New Media Scotland depends on support from sources such as the Scottish Arts Council, Arts Council England and foundations/trusts. Recent projects have received funding from the National Touring Programme of the Arts Council England, Scottish Arts Council, The Esmee Fairbairn Foundation, Heritage Lottery Fund and the Daniel Langlois Foundation for Art and Technology amongst others. New Media Scotland also receives support from their network of partners which includes Napier University, Stills, Dundee Contemporary Arts, Centre for Contemporary Arts - Glasgow, Scottish Screen and many more.

7.4 Infrastructure and geography

7.4.1 Company base

The Digital Media and Creative Industries (DMCI) in Scotland account for around £2.8 billion GVA in the economy and employs an estimated 100,000 people. The country also boasts sophisticated telecommunications connections, skilled people and high quality R&D in this sector. In this context, Glasgow has grown a thriving digital media technology and production community and is the focal point for the DMCI sector in Scotland, accounting for more than 20,000 jobs in the city and contributing an estimated £557 million GVA to the city's economy on an annual basis.

Glasgow is home to two major Scottish broadcasters, BBC Scotland and SMG, Channel 4's Nations & Regions office, TRC, Scottish Screen, location and production base Glasgow Film Office, design hub The Lighthouse and the Cultural Enterprise Office. It is also the home of two companies within the RDF group: IWC and The Comedy Unit.

Edinburgh is a hub of Scotland's significant advertising and communications sector and has leading technology transfer universities such as the University of Edinburgh whose experience and commercial track record in media technology related spin-outs is in the top three in the UK.

Dundee is the hub of a nationally significant games industry lead by Real Time Worlds and Denki, whilst Aberdeen has always had real strength in software development and high tech industries based on the oil industry. It is also home to Tern Television, the biggest independently owned TV production company in Scotland.

The digital media and creative industries sector in Scotland is a significant employer, responsible for 94,000 jobs - or 4 per cent of total employment in Scottish industry.

- TV and radio, plus software and publishing have the highest number of employees.

- Employment overall in Scotland has grown by 4.7 per cent, with employment in digital media specifically growing by 4 per cent.
- There are more than 11,000 creative/digital businesses in Scotland, representing just over 6 per cent of the total business stock.
- The number of new businesses in the digital media category in Scotland has grown by 10.4 per cent since 2000, compared to just a 4 per cent rise in the overall number of new businesses.
- Within the creative sector, the biggest increase has been in companies employing between 20 and 100 staff

7.4.2 Creative talent

Scotland is renowned for its history of innovation and engineering and benefits from a nationally recognised games sector and globally recognised university sector making significant investment in innovation and applied research for the sector and high numbers of creative and digital media students in the region, many of them with entrepreneurial drive and ambition.

There is internationally renowned academic expertise in artificial intelligence, digital imaging and entertainment technology at the University of Edinburgh, Heriot Watt and the University of Glasgow, whilst the University of Abertay in Dundee is also a leading centre for animation and computer games. The Digital Design Studio (DDS), a faculty of the internationally respected Glasgow School of Art is dedicated to 3D visualisation and interaction. It does this through academic, research and commercial activities, and operates on an ethos that believes that it is the interaction between these three activities which makes the DDS so different.

As with many other UK regions, there is a question about retention of talent in general and in particular of students who study in the region.

7.4.3 Studios and workspace

The creative industries have been regarded by Glasgow City Council and by Scottish Enterprise as a key sector, in terms of the city's continued regeneration, growth and expansion, and also as a means of talent retention having invested in a number of major capital developments aimed at the creative industries throughout the city from Film City Glasgow to the Merchant City Arts Quarter.

While the region has Europe's most modern digital TV studio at BBC Scotland, some strong post-production houses and music studios, there is a continued debate over the provision of soundstage and studio facilities with companies having to look outside the region to hire studio spaces.

7.4.4 Sector support

As shown above, there is a strong suite of support for digital media companies based in Glasgow. The digital media and broadcast industries have a comprehensive business support and economic development infrastructure, reflecting the importance and maturity of this sector in the area. There is a particularly strong provision supporting technology transfer, cutting edge research and experimental projects in the creative use of technology in digital media settings along with a comprehensive infrastructure aimed at supporting content development.

Key projects have included networking initiatives, the information and research services provided through TRC, property-centred projects such as Seabraes Yards in Dundee and Pacific Quay in Glasgow, R&D stimulation through the Digital Media portfolio within the Proof of Concept fund and the establishment of the co-production and the co-investment funds as well as ITI Techmedia. In addition, Scottish Enterprise has supported numerous individual businesses and provided knowledge and research through its commissioned studies across digital media and creative industries.

7.4.5 Transport and communications

Glasgow and Scotland are relatively geographically distant from London. However, there are frequent flights between Glasgow and all other major UK cities, with extremely regular services to all London airports. There are also good train links serving the city, and transport within Scotland is good and Scotland's broadband infrastructure is well developed.

7.4.6 Regional geography

As with many out of London production centres, Scotland is often not regarded as a location that provides a positive career move due to its lack of scale and relative lack of high level employment opportunities. It experiences a strong drift to London during down times and arguably this is stronger than some other centres given the distance from the capital.

A further issue relating to London is that when companies are looking to relocate or set up regional offices, Glasgow is felt to be too far from London. TV production companies often want to be just outside the M25 so they can still commute home, thereby increasing the attractiveness of closer bases like Bristol. Consequently indigenous growth for the sector seems more realistic than significant inward investment.

7.5 Significant developments

Pacific Quay is the major development of significance to the digital media sector in Glasgow. Pacific Quay will be home to Glasgow's media industries and is part of one of Europe's most exciting riverfront developments. The BBC, Scottish Media Group are already resident and the Digital Design Studio, a faculty of Glasgow School of Art due to relocate to the DMQ in the near future. Situated alongside the Science Centre, the SECC and IMAX Centre, this riverside development is envisaged to form a bright and contemporary centre for Glasgow's digital media industries. Led by Scottish Enterprise, the Digital Media Quarter at Pacific Quay aims to become a world class centre for the sector, to rival the best facilities elsewhere. Scottish Enterprise are currently looking to construct the management structures for the development and market the space to potential high profile inward investors in the digital media and technology sectors.

7.6 Company profiles

7.6.1 IWC (now part of RDF)

Wark Clements was the production company started by broadcaster Kirsty Wark and her husband Alan Clements. They were the first TV production company to receive assistance from SEG. The company pursued an aggressive growth strategy, mainly funded by venture capital investment from the Hamilton Portfolio. The money was used to fund an active presence in London and to pursue international distribution which led to them securing a first look deal with Australia's Southern Star. They also came up with innovative schemes such as *The Holy Grail* in partnership with Channel 4 to provide an umbrella brand for new drama producers. They subsequently merged with Ideal World to form IWC. Ideal World was the independent production company owned by broadcaster and writer Muriel Gray, her husband Hamish Barbour and third Director, Zad Rogers. The combined IWC became regarded as the powerhouse of the Scottish independent production industry with an annual turnover in excess of £16million. IWC was subsequently acquired by RDF.

7.6.2 The Comedy Unit (now part of RDF)

The Comedy Unit was started by Colin Gilbert and April Chamberlain and was a "spin out" of what was BBC Scotland's in-house "Comedy Unit." The company's strategy was always based on developing their own writing talent and in being a conduit to BBC commissions for talent such as Ford Kiernan and Greig Hemphill. Scottish Enterprise provided a range of assistance including investment in the Maryhill Media Park where the company was based in the Maryhill Studios. They also received assistance with share structuring, IP and distribution strategies as the Directors initially tried to build the scale of the company in its own right. RDF acquired the company for a reputed £8 - 10million.

7.6.3 Tern

Tern started in Aberdeen in 1988 and now has offices in Aberdeen, Glasgow and Belfast. The company is wholly owned by husband and wife team David Strachan and Gwyneth Hardy. The company has followed an organic growth strategy based on its historical strength in factual programming, though they have had some significant breakthroughs in entertainment and new media through *Slobovia*. Tern is now the largest independent in Scotland and reputed to be on the radar for superindies seeking further acquisition targets.

7.6.4 Realtime Worlds (Dundee)

Realtime Worlds, based in Dundee, is a software technology company specialising in the entertainment sector. Founded in 2002 by Dave Jones who has a superb record of building and selling games companies, including DMA Design. The company now has a staff of 185, an additional 40 in Seoul, South Korea, and a new Colorado, USA office. The company has created some of the world's best-selling video games including the double-BAFTA winning 'Crackdown', and the massive global franchises 'Lemmings' and 'Grand Theft Auto'. The company now see the future in online-multiplayer gaming and are currently looking to develop revolutionary new software technology that will develop new possibilities for this sector, and which will have applications throughout many industries.

7.7 Summary

Glasgow was once regarded as the second media city of the UK and at one time had a higher profile, more network programming and higher production values than any other UK centre outside London. This appears to have declined in the last three years.

In the late 90s and early 00s, Scotland was regarded as a thriving media cluster with the arrival of Stuart Cosgrove as Director of Nations & Regions at Channel 4, the setting up of the Research Centre and the international profile attached to *Monarch of the Glen* and *Hamish McBeth*. Scottish Enterprise launched their Digital Media and Creative Industries strategy with the promise of investing £25 million over five years to stimulate growth. The Co-Production and Co-Investment funds were established in partnership with private sector venture funds. There was also a variety of schemes ran by the Glasgow Film Office and Scottish Screen to encourage inward investment and mobile production. In the words of one interviewee, “*there was a lot of noise coming out of Glasgow.*” Indeed, whilst Director General of the BBC, Greg Dyke was even quoted as saying that “*Scotland was sorted.*”

During this era, Glasgow built a significant cluster of media companies, led in the main by people who had formerly been executives within one of the broadcasters. Some of these companies went on to achieve financial success and three (Wark Clements, Ideal World, The Comedy Unit) attracted the attention of and were subsequently acquired by RDF. In addition, some significant London indies (Endemol, Lion, Mentorn) set up regional offices to take advantage of regional production quotas. By comparison with Bristol, Glasgow appears to have failed to adopt a partnership approach with these major companies to “lock them in” or at least maximise the opportunities for development whilst they are in the city. For example, South West Screen has worked with Endemol to train over 200 people in the last year. They have also worked with Aardman and Dreamworks to run training workshops for animators where the agency provides some financial support and the companies provide the course content and the tutors for the courses. This partnership approach has obvious benefits for people looking to gain entry to the industry and the companies participating in the delivery of the scheme get access to a deeper pool of talent in the region.

There is no doubt that Glasgow has suffered from the current major infrastructural changes that the broadcast industry is experiencing. It is also apparent that a number of factors within the support sector have conspired to have a negative effect at the same time.

Scottish Screen is in the process of merging with The Scottish Arts Council to form *Creative Scotland*. In England, most screen agencies have demerged from their Arts Councils with a clear remit for industrial, as opposed to cultural development. SE has a clear strategy aimed at developing the digital media sector, seeing the future as being the alignment of its technology and innovation strategies.

However, Glasgow has many strengths to build upon. The city is home to three broadcasters, with BBC Scotland and SMG already located on Pacific Quay and Channel 4 also present in the city.

Previous work undertaken on the future of Pacific Quay has established the principle that its future lies in developing the site as a digital media quarter. Scotland also has strong R&D and commercialisation track record in its HE sector, facilitated in part by SE’s Proof of Concept Fund.

For broadcasting but also increasingly for digital media more widely, the key issue for Glasgow at this time is that it does not have the scale to continue punching above its weight as it did in the past. It is now competing with the North West, Yorkshire and the West Midlands, each of which has an economy and population base that is broadly similar to that of Scotland. It is essential that Scottish Enterprise's digital media strategy addresses the issue of how to combine the real individual strengths of Scotland's digital cities into one coherent offer.

Glasgow is widely recognised as the most creative city and the heart of Scotland's creative industries. It is an edgy, bohemian city with a rich heritage of innovation and engineering excellence. It has considerable broadcast assets from which to build, including three broadcasters and superindie in RDF, TRC and a well developed support infrastructure. This could be enhanced by closer working relationships with Edinburgh's advertising sector in a similar way that the biggest agencies in London are recruiting experienced TV personnel to lead their drive into new digital markets. Edinburgh also has some very strong new media agencies, some key global technology companies and the strongest track record in technology transfer in Scotland. Dundee has a high profile games development sector where the company base works closely with the University of Abertay in Dundee. Again, this is another example of best practice that other regions have looked at and tried to copy. This combination of quite different approaches adds up to something quite special, is a real strength that deserves further investment and support. The whole could definitely add up to more than the sum of the parts and achieve the scale that is so important in developing the digital media sector.

8.0 GREATER LONDON

8.1 Key statistics

8.1.1 Greater London sector employment⁷³

Of total UK sector employment	45%
Total sector employment	85,000
Total permanent employees	60,000
Total freelance employees	25,000
Broadcast television employment	11,600
Independent television employment	11,700
Digital media employment ⁷⁴	15,600

8.1.2 Greater London commissioning spend⁷⁵

Total spend on TV production	£1,476 million
Of total UK spend on TV production	59%

8.2 Overview

London is, without a doubt, the epicentre of the UK's creative industries and has an especially strong command in media of all kinds.

The media sector in London is simply fundamentally different from that operating in any of the nations and regions of the UK. It is driven by global economic forces and therefore does not really engage with the public sector to the extent that the nations and regions do. Much of the focus of the economic development sector in London is focused on regeneration activities in places like Tower Hamlets and to the east of the city in boroughs such as Barking and East Mills.

The wider South East area is also significant – London and the South East combined account for 62% of the UK's creative jobs. The capital houses 40% of the UK's creative industries – one in seven of jobs in London are in the sector, and it is growing faster than any other sector apart from Financial and Business Services.⁷⁶

⁷³ Skillsset (2006) *Employment Census 2006 – supporting dataset*

⁷⁴ Animation, Web and internet, Offline multimedia, Interactive TV, Mobile content and computer games

⁷⁵ Ofcom (September 2005) *Television Production Sector Review – a survey of TV programme production in the UK*

⁷⁶ GLA Economics (2004) *London's Creative Sector: 2004 update*

Whilst data for 1995 to 2002 shows a slowdown in London's growth in some creative industries relative to the speed of growth across the rest of the UK, London's dominance in the TV and Radio sector continued unchecked, experiencing around 20% growth.⁷⁷

8.3 Support for the sector

8.3.1 London Development Agency - LDA (Regional development agency)

Overview

The London Development Agency (LDA) works to deliver the Mayor's vision for London to be a sustainable world city with strong, long-term economic growth, social inclusion and active environmental improvement

Aims

The organisation produces the Mayor's Economic Development Strategy for London, which focuses on: places and infrastructure; supporting people; encouraging business; and promoting London.

What they offer

The London Development Agency's Creative Industries team works to support and promote key growth sectors including Film and Digital Media and works in partnership with high profile international events such as the London Film Festival. Through their investment in partners, LDA help to promote London as a global centre for the creative industries by offering practical support to business enterprises. Examples of recent projects include: Own It, the intellectual property advice service for creative enterprises and 01Zero-One, the audio-visual training and event centre in the heart of Soho.

Level and source of funding

As a regional development agency, LDA is funded by central government.

Creative Business Accelerator

Overview

The Creative Business Accelerator is delivered by GLE on behalf of the London Development Agency. It is aimed at early stage and established businesses in the creative, innovative industries, who wish to attract equity investment to develop their business. It offers 70 companies the opportunity to attend a free one-day investment readiness workshop, and takes 15 companies through a 6-month intensive support programme.

Value of fund in total

Unknown.

⁷⁷ GLA Economics (2004) *London's Creative Sector: 2004 update*

Source of funds

The programme is funded by the London Development Agency and City of London, and is supported by the Institute of Chartered Accountants in England and Wales. It also has the support of Oracle, Google, UKTI, RBS, the Design Council, Harbottle & Lewis, and Kingston Smith.

Number of companies supported

Since its inception, the CBA programme has supported 180 entrepreneurs in the main workshop programmes and over 40 selected companies in the ongoing intensive support programme involving mini workshops and personal mentoring.

Criteria for awards

The programme is designed for early stage businesses with a strong business idea and evidence of growth potential, who are seeking relevant finance with a focus on equity. All London-based companies are eligible to apply.

Awards granted

Supported companies include a wide spread of enterprises from across the creative industries. This includes record companies, digital media projects, and record companies as well as jewellery designers and designer fashion companies.

Creative Capital Fund**Overview**

The CCF is designed to help talented entrepreneurs and businesses in London's creative industries achieve their potential by providing seed and early stage capital investment and business support. CCF will provide elements of business support that may include the following:

- Refining a business plan;
- Refining financial plans and projections;
- Advising on types and sources of finance available;
- Coaching on how to present a professional case to other funders;
- Advising on other sources of business support and advice.

Value of fund in total

The CCF is a £5m equity fund

Source of funds

The CCF is independently managed by AXM Venture Capital Limited and the capital has been contributed by the London Development Agency and the European Regional Development Fund.

Number of companies supported

The CCF website lists nine previous investments.

Criteria for awards

The CCF is available for Creative Industry businesses based in Greater London, with a portion of funding allocated for investment to those wards and boroughs where the occurrence of disadvantage is highest, as measured by the indices of deprivation. The fund is available for SME businesses that have their headquarters or principal business in Greater London and to companies that are not quoted on AIM or the London Stock exchange. In addition, the CCF works closely with seasoned entrepreneurs and professionals throughout London to offer mentoring and support that is critical for success.

Awards granted

The fund can make equity investments of up to £500,000 in promising early stage companies. The CCF operates as match fund and will invest up to £75,000 in the initial stage of investment. As the business grows and achieves its milestones the CCF may invest further funds up to a total of £500,000 (£1 million including match funds).

Examples of companies that CCF has previously invested in:

1. *Baby-TV Ltd* (14/06/2007 CCF has invested £150,000 out of a total of £227,260 in new funding for the business),
2. *Cycling Television Ltd* (£290,000),
3. *Is Publishing Ltd*, (17/02/2006 CCF invested £75,000),
4. *Music Vault* (10/09/2007: CCF has invested £112,500 out of a total of £275,000 in new funding for the business),
5. *Zac Toons Ltd*. (29/09/2006 CCF has invested £75,000 out of a total of £225,000 in new equity for the business).

8.3.2 Film London (Screen Agency)

Overview

Film London is the capital's film and media agency. includes all the screen industries based in London - film, television, video, commercials and new interactive media.

Aims

Film London sustains, promotes and develops London as a major international film-making and film cultural capital.

What they offer

Film London's activities include:

- Comprehensive information on London locations and production services, as well as practical advice and support to film-makers shooting in the city;

- Investment in new and established film-makers through a range of low budget production schemes;
- Supporting training and business development activities;
- Developing audiences and access provision across the film and media sector;
- Showcasing of London films and talent;
- Domestic and international tourism initiatives;
- Promoting London on an international stage as an attractive base for film and media production.

Film London actively supports training, skills and educational provision throughout London. Most of these initiatives are aimed at individuals.⁷⁸ Film London has a strong focus on shooting films on location in London. Film London also offers a range of business support and training facilities through its various services. Many London based suppliers are contracted to deliver these services.

Level and source of funding

Film London is supported by the UK Film Council and the London Development Agency through Creative London. Film London also receives significant support from Arts Council England London, the European Regional Development Fund, the Mayor of London and Skillset.

London Artists' Film and Video Awards

Overview

London Artists' Film and Video Awards (LAFVA) is an open submission awards scheme for artists living and working in the London region.

Value of fund in total-

Unknown

Source of funds

The award is managed by Film London, working in partnership with Arts Council England, London. LAFVA is administered by the Film London Artists' Moving Image Network that offers a comprehensive support network for all London-based artists working with the moving image.

Number of companies supported

70 (11 in 2007, 11 in 2006, 13 in 2005, 12 in 2004, 8 in 2003, 8 n in 2002, 7 in 2000).

⁷⁸ For more information see: <http://www.filmlondon.org.uk/content.asp?CategoryID=732>.

Criteria for awards

Awards are available to artists working in the context of contemporary fine art moving image practice. Submitted projects can be any format, length and genre whether single or multi screen and produced for exhibition in galleries, festivals, specialist venues or cinemas.

Awards granted

LAFVA 2008 offers awards up to a maximum of £20,000 for the production of new work.

Microwave**Overview**

Launched in January 2006, Microwave challenges film-makers to shoot a full length feature film for up to £100,000 with cash and in-kind support. The scheme provides an intensive approach to film-making, with an emphasis on tightly focused scripts, short production schedules and commercial potential. Microwave is open to film-makers working in documentary, fiction and to artists working with the moving image.

Value of fund in total

Unknown

Source of funds

Microwave is a Film London initiative, in association with the BBC, funded by the London Development Agency through Creative London and the National Lottery through the UK Film Council.

Awards granted

The scheme provides up to £75,000 of direct funding per project together with a unique professional mentoring scheme from leading industry figures including directors and producers. Film London and its partners also offer a range of assistance including in-kind support from leading facilities and service companies, including Ascent Media and AFM Lighting; competitive locations fees from many of London's local authorities; and a 'revenue share' model which will return a generous percentage of any revenue back to the film-makers. Completed projects will be broadcast on the BBC and have the opportunity to showcase at the annual London UK Film Focus sales event, as well as be provided with professional and tailored advice for enabling the films to premiere at major international markets and festivals where possible.

Recipients include: *London to Brighton*, *Bigga Than Ben*, *Once* and *Saxon*. The first two greenlit features were *Mum & Dad* and *Shifty*.

Pulse and Pulse Plus

Overview

PULSE was launched in 2002 in partnership with the UK Film Council's New Cinema Fund. The ambition is to produce a new generation of film-makers who use digital technology creatively to tell stories in groundbreaking ways. The PULSE scheme is open to new talent in the London region and offers film-makers an opportunity to make digital shorts for a variety of exhibition and distribution platforms.

PULSE PLUS is a single annual award for film-makers who have previously made a digital short or similar production.

Value of fund in total

Unknown

Source of funds

Unknown

Number of companies supported

Nine 2006 PULSE films are now completed or in post-production.

Two films have been funded so far by PULSE PLUS.

Criteria for awards

All genres are welcome, including drama, documentary and animation. The budget range is £2,500 - £12,000 depending on the nature of the project. The running time should be between 1 and 15 minutes.

Awards granted

PULSE: In 2006: *N.O.R.A*, *The Object*, *Exit*, *Peter and Ben*, *The Girls*, *Monkey Nut Tales*, *Border Work*, *Eddie Proctor*, *Wish*.

PULSE PLUS: *Care* (2006), *Cherries* (2007).

London Borough Film Fund Challenge

Overview

Launched in 2006, the fund is designed to stimulate local film-making across the capital. Film London aims for every London resident to have the opportunity to access a local film fund. Every borough out of the 13 selected - (Barking & Dagenham, Havering and Redbridge (Eastern Edge Film Fund); Bexley, Greenwich and Bromley (Tri-Pod Film Fund); Enfield, Haringey and Waltham Forest (Triangle Film Fund); Ealing and Hounslow (Ealing and Hounslow Short Film Production Scheme); and Lewisham and Southwark (South London Film Fund)) - will benefit from training and support to help develop film funds and future film projects in their local

areas.

Value of fund in total

n/a

Source of funds

Schemes will be run and funded by the participating boroughs, with Film London investing £30,000, along with dedicated advice and resources⁷⁹.

Number of companies supported

n/a

Criteria for awards

Open to all local residents

Awards granted

The funds offer £500- £5,000 towards the production of a short film.

Borough film funds have launched a number of successful projects in the past including Breaking Out which was made through the Wandsworth film fund and officially selected for the Cannes Film Festival in 2004.

Best of Boroughs Film Awards (BOBs)

Overview

Film London has launched a new prize for London based short film-making in partnership with ITV Local

Value of fund in total

£4,000

Source of funds

ITV Local.

Number of companies supported

n/a

⁷⁹ For more details on the breakdown of specific funds allocated to each borough please see:

<http://www.filmlondon.org.uk/content.asp?CategoryID=1073>

Criteria for awards

A panel comprising representatives from the film and TV industry will award the Jury Prize and a public vote by *ITV London Tonight* viewers will determine the Viewers' Prize. Any film made through a London Borough Production Fund up until 31st March 2008 will be eligible to enter.

Awards granted

ITV Local London will hand two prizes of £2,000 to the best films made through a Borough Production Fund, in an award ceremony in the summer of 2008.

8.3.3 Creative London**Overview**

Creative London is the strategic agency for London's creative industries.

Aims

Creative London has been established by the LDA to champion and support the £21bn creative industry sector in London.

What they offer

The agency is planning a network of Creative Hubs (such as Creative Westside, the designated creative hub partner for West London), which will be centres of support (often offering incubator space), and is developing a number of initiatives, including investment readiness, patent protection and property search.

Level and source of funding

Creative London is part of the London Development Agency (the Mayor's agency for economic development).

Strategic Focus

Creative London works in line with the LDA's strategy of supporting the growth of regional businesses and the development of new communities.

8.4 Summary

Quite simply, London is a different situation to Glasgow or any of the other regional centres. London is a global media hub that shows few signs of slowing down. Commentators have been saying for years that London is overheating and that companies will increasingly locate elsewhere as communications technologies continue to progress. The BBC have made a commitment to move five commissioning departments out of London to Manchester but there has been strong resistance from BBC staff to the relocation.

In broadcast terms there is little doubt that London is and is likely to remain the dominant centre. The high proportion of corporate buyers means that digital media agencies of all descriptions will continue to congregate in and around London as long as business requires face to face contact.

There is little doubt however that in the digital world, buyers are less concerned about size and distance than they have been in the traditional broadcast world and this is leading to opportunities to supply into international markets as well as only thinking of London. London is a great opportunity for the businesses located there but also for anyone prepared to invest the time, effort and money to use it, rather than see it as a barrier.

9.0 NEWCASTLE AND THE NORTH EAST

9.1 Key statistics

9.1.1 North East sector employment⁸⁰

Of total UK sector employment	3%
Total sector employment	5,700
Total permanent employees	4,900
Total freelance employees	800
Broadcast television employment	400
Independent television employment	100
Digital media employment ⁸¹	3,700

9.1.2 North East commissioning spend⁸²

Total spend on TV production	£32 million
Of total UK spend on TV production	1%
Total spent by broadcasters on external commissioning	£10 million

9.2 Overview

Research recently carried out into the North East's commercial creative industries⁸³ identified that there are some 2,200 companies operating within the region. Together these companies employ 27,300 individuals and made sales totalling £800million in 2006/07.⁸⁴ The sector in the North East is significantly smaller than in other regions. A dominant factor limiting the sector in the North East is the lack of major buyers – whether that is the head offices of leading brands that buy branding and marketing services, broadcasters with

⁸⁰ Skillsset (2006) *Employment Census 2006 – supporting dataset*

⁸¹ Animation, Web and internet, Offline multimedia, Interactive TV, Mobile content and computer games

⁸² Ofcom (September 2005) *Television Production Sector Review – a survey of TV programme production in the UK*

⁸³ The commercial creative sectors, as defined by One NorthEast, comprise: Advertising, design and brand communication; Performing arts; Publishing; New media, games and software; Film, TV and video; Music.

⁸⁴ One NorthEast / nmp Ltd (October 2007) *Commercial Creative Sector Research*

commissioning power, or new media platform owners such as the mobile network owners, device manufacturers or major search engines. Furthermore, there is very little tradition of entrepreneurialism in the region compared to elsewhere in the UK.

While the creative industries sector as a whole is relatively small in the region, certain sub-sectors have seen significant investment and growth in recent years. Most notably there is a critical mass of digital industries in the region, with games being a particularly strong element. Companies in this sector are generally well networked together and there is a strong tradition of working in partnership, particularly in the games industry.

9.3 Support for the sector

9.3.1 One NorthEast - ONE (Regional Development Agency)

Overview

One NorthEast is the Regional Development Agency tasked with creating and sustaining jobs, prosperity and a higher quality of life in the region. The remit of the agency is to use all the resources at its disposal, in both rural and urban communities throughout the North East in order to further the economic development and the regeneration of the region; to promote regional business efficiency, investment and competitiveness; to generate employment; and to encourage and enhance the development and application of relevant work skills of the people living here.

One NorthEast's revised Regional Economic Strategy identifies the Commercial Creative Industries as one of its seven key sectors for sector based support. The Commercial Creative sectors concentrate on a number of key subsectors that provide the greatest potential for further growth and scalability in the region. These are: Advertising, design and brand communication; Performing arts; Publishing; New media, games and software; Film, TV and video; Music.⁸⁵ In addition, the RES states the importance of digital technology and media as a key driver to the regional economy⁸⁶:

Aims

ONE aims to support the economic growth of the Commercial Creative industries (including digital media) in the region, due to their forecast growth over the next decade.

What they offer

Having undertaken research into the sector One NorthEast is currently working with partners to invest in the sector to support growth and the development of a competitive advantage – key areas of focus will include:

- Skills, company growth and development

⁸⁵ <http://www.onenortheast.co.uk/page/commercialcreative.cfm>

⁸⁶ One NorthEast (2006) *Leading the Way – Regional Economic Strategy*

- Access and connectivity to markets
- Promoting the sector to key audiences
- Talent development and attraction
- Attracting mobile investment

ONE currently support the sector by providing funds to specialist support organisations, and have recently established the Design and Creative Fund managed by NStar(see below).

Design and Creative Fund

Overview

The Design and Creative Fund aims to develop and progress early stage ideas in the sector into attractive business prospects. The fund is managed by NStar, the North East's enterprise development company, with ONE funds.

Value of fund in total

Unknown

Source of funds

One Northeast

Number of companies supported-

Unknown.

Criteria for awards

The fund accepts applications from any of the 'commercial creative' industries (see above for definition), and also from other industry sectors where there is a clear and significant element of design, or creative content. Finance can be used to invest in physical assets and expand management teams as well as for research and development. Applications are permitted from new businesses, those at an early stage and more mature companies, as long as they have an idea that will help them expand or diversify the region's design and creative industries base. Successful projects are expected to have a good understanding of their market and strong commercial potential.

Awards granted

Awards of up to £60,000 are being granted in the pilot phase (2007 to 2008). Investments from the fund will help business ideas and projects through their riskiest stages, and aims to take them on to attract further funding.

9.3.2 Northern Film & Media (Screen Agency)

Overview

Northern Film & Media is committed to building a commercial and expert regional media sector with an international reputation, which thrives on creativity, competition and success, attracting investment and talent to the North East of England.

Aims

Through partnership-working, service provision, funding schemes, advice and guidance, Northern Film & Media aims:

- To develop an advantage for companies and individuals through creating specialist networks and expert guidance to audiences and markets.
- To develop a commercial, creative, connected and competitive environment.
- To build networks of expert providers to stimulate and meet demand for sustainable access to moving image culture and activity.
- To build the expertise of companies and talents in the commercial and community media sectors.
- To create a network of informed regional partners aligned to provide successful filming in the region and maximise benefit from inward investment.
- To broaden awareness and support for moving image culture and business.

What they offer

NFM offers a range of support and development programmes, including:

- Network TV investment programme;
- Promoting the area as a filming location;
- Training opportunities;
- Professional development schemes;
- Funding to support development and commercialisation of new ideas.

In order to develop commercial ideas and companies, Northern Film & Media offers support in a number of ways: through the direct funding of projects; through a commitment to professional and non-professional training; through arranging a wide range of schemes and services, workshops and seminars, screenings and networking events.

Northern Film & Media distributes funding through a number of different projects that demonstrate a strong creative and commercial impact on the moving image industry. In the year ending 2005/06, Northern Film & Media invested in 190 projects and generated £15.2m of leverage into the sector region. Due to the digitisation of the sector, Northern Film and Media is increasingly providing services for new media and digital content companies.

Northern Film & Media is currently working to engage with the North West Development Agency and the Media City development in order that companies in the North East can benefit from the development of a significant digital media hub in Manchester. There are five key strands to Northern Film & Media's work in this area:

- Coordination of the production of crew and facilities database;
- Organising a series of "get togethers" for producers and directors to meet their counterparts in the North West;
- Partnering with Skillset in a combined New Entrants scheme to be run across the North;
- Promoting the idea of combining media business development schemes across the North;
- Developing a scheme to place North East trainees into companies based at Media City;
- Supporting the investment in technology infrastructure in the North East in order to link the region directly into Media City.

Level and source of funding

Northern Film & Media is core funded by the UK Film Council and One NorthEast and is a regional training partner of Skillset. The agency also works with many other key agencies and organisations on a project by project basis.

Economic Impact Funding

Overview

Northern Film & Media's economic impact funding supports projects that demonstrate a strong creative and commercial impact on the moving image industry.

Value of fund in total

Unknown

Source of funds

One Northeast

Number of companies supported-

Unknown

Criteria for awards

The Economic Development Fund covers several areas:

- TV Development: up to £3,000 aimed at individuals and companies looking to develop ideas and pitches to network broadcasters. Applicants must show a detailed knowledge of schedules and broadcaster requirements.
- New Media: up to £5,000 aimed at developing strong new media ideas at a stage where they can be pitched to investors.

- Accelerator: up to £3,000 - a fast-track creativity and innovation fund open to creative industries for new media moving image idea development.
- Film Development Packages (North East companies): up to £7,000 open to companies based in the North East that are looking to develop feature film ideas. NFM will be expecting applications from companies with a track record in production and will be looking to invest in projects with commercial potential.
- Film Development Packages (Companies outside the North East) up to £5,000 for companies based outside of the region who are working with regionally based writers and/or directors to develop feature film projects.
- Animation: up to £10,000 to support animation film makers and companies to develop a range of projects from short films to TV pitches and trailers.
- Marketing Activity: up to £300 - provides support for film makers who need to draw together marketing materials such as show reels and duplications for projects that have the potential to reach a national or international audience.
- General Market Access: up to £300 - supports individuals wishing to attend industry markets and film festivals. Applicants need to show why they wish to attend the market and what they hope to achieve whilst in attendance.
- Strategic Market Access: up to £1,500 supports companies wishing to attend industry markets and film festivals. Applications will be accepted on an annual basis only and must contain all the markets the company wishes to attend during a 12 month period.
- Training for Individuals: up to £3,000 for individuals for mentoring schemes or attendance on training courses. Applicants must demonstrate the relevance of specific courses to their continued professional development.
- Company Training Initiatives: up to £5,000 for companies to develop internal skills through placements, mentoring schemes or attendance on training courses. Applicants must identify any course they wish to send their staff on and demonstrate its relevance to staff development and the success of their business.

Awards granted

Unknown

Network TV Investment Fund

Overview

Founded in March 2007, the aim of this fund is to ensure continued growth of ambitious and creative companies in the North East. The fund will stimulate the production of new network programming in the region and generate a range of key creative posts in five North East independent production companies.

Value of fund in total

£1 million.

Source of funds

£500,000 is available for slate development (programme ideas) and £237,000 for personnel and business development (posts) at the initial stage. The fund was developed in partnership with the BBC, Channel Four, One NorthEast and European Regional Development Funding. The money provided through Northern Film & Media will make it possible for each company to receive match funding from both public bodies such as the BBC and private companies raising the potential total investment to considerably more than £1m.

Number of companies supported

5

Criteria for awards

Established production companies capable of significant growth.

Awards granted

The fund is part grant and part investment – the investment portion is recoupable on the first day of production.

- Headline Pictures
- Liberty Bell
- Different
- Media 19
- Standing Stone.

Stingers Digital Short Film Scheme**Overview**

The Stingers Scheme enables writers, directors and writer/directors to see their work on screen and develop their professional experience by working with a production company in the North East region to create short digital film.

Value of fund in total

£400,000 has been invested since the fund's launch in 2002.

Source of funds

UK Film Council Digital Shorts.

Number of companies supported

54 short films have been invested in since the fund's launch in 2002 and the scheme continues to commission 15 shorts per year.

Criteria for awards

Applicants can apply as an individual or as production team (with a writer, director and production company attached to the project). Applicants must be based in the North East region. Recipients must also not be in full-time or undergraduate education.

Awards granted

In 2007, the Stingers commissioned the following shorts: *Rebound* (Scruff Productions), *Pick Up* (Pinball Films), *Gone Fishin'* (Superkrush), *The Badass* (Superkrush), *Office Space* (Pinball Films), *Tangerine Juice* (FNA films), *Linked* (Bonafide Films), *Rory's Teeth* (Becoming Visible), *Wave* (Pinball Films), *Huff* (Pinball Films), *Theory of (R)evolution* (Quay Animation Studios), *Torch* (Superkrush), *Neville in a Blue Dress* (Bridge and Tunnel Productions), *Somebody Else's War* (Vita Nova Films), *Breathe* (Third Films).

Micro Movies Christmas Scheme**Overview**

Northern Film & Media and Funkigroup are launching a 60 second film scheme, around the theme of "Christmas". Five short films will be commissioned with a budget of £800 each

Value of fund in total

£4,000

Source of funds

The Scheme is funded by One NorthEast and the National Lottery.

Number of companies supported

5

Criteria for awards

The scheme is open to writers, directors and or writer/directors based in the North East region. Applicants must be over 18 years of age and not in full-time or undergraduate education. Applicants can apply with a drama or animation-based project for this scheme. Animators must be able to demonstrate on their application form that they can complete their films within the given time schedule.

Awards granted

Family Christmas, Tis the Season, Tentaclus, The Big Surprise, Boxing Day.

The Big Pitch

Overview

The Big Pitch will provide comprehensive training and development for six producer/writer/director teams as they compete to win the most dynamic feature film pitching competition and the largest film production prize in the UK.

Value of fund in total

£150,000 - £250,000

Source of funds

Moxie Makers in association with NLFF, Molinare, Soda Makers and Moxiehouse Entertainment.

Number of companies supported

6

Criteria for awards

The Big Pitch is looking for:

- Fresh, original and dynamic work in a recognised genre,
- Diverse and innovative, up and coming filmmakers,
- Commercially orientated projects that can find an audience in the UK and around the world,
- Feature film projects that can be realised on budgets up to £250,000.

Applicants must be resident in the UK, have the demonstrable professional talent to realistically achieve the project on budget and within the timeframes outlined in the schedule, have a feature film project already at a developed script stage and be either a complete production team or the writer of the project.

Awards granted

TBA: closing date for applications is in February 2008.

9.3.3 Codeworks

Overview

Established in 2003, Codeworks is a centre for digital innovation based in North East England.

Aims

The agency is working with partners to invest in the sector to support growth and the development of a competitive advantage – key areas include:

- Skills, company growth and development;
- Access and connectivity to markets;
- Promoting the sector to key audiences;
- Talent development and attraction;
- Attracting mobile investment.

What they offer

Codeworks works closely with their primary investor, One NorthEast to create and/or develop new and existing digital media technology companies based in North East England. The initiative works with technologists, digital companies, entrepreneurs, university researchers, venture capitalists, economic developers, rationalists and visionaries in the development and creation of digital companies.

Codeworks has two different support programmes: digital media technologies programme and sector development programme which manifests itself through two collaborative networks – ‘Codeworks Connect’ and ‘Codeworks GameHorizon’.

Level and source of funding

One NorthEast has invested £10 million in the Codeworks programmes and activities since its inception. Codeworks also receives funding from the European Union’s European Social Fund and the European Development Fund.

Digital media technologies programme

Overview

The digital media technologies (DMT) programme focuses on finding and developing pre-commercial new media technologies, concepts and business models with the intention of creating spinouts and/or licensing opportunities. To date, the programme has concentrated on Internet video-related concepts and start-ups but is now seeking to embrace opportunities across the Web 2.0 spectrum, in areas such as social networking, user-generated media, mobile data and machine-to-machine interactivity.

Value of fund in total

The new DMT is in its initial pilot stage and Codeworks plans to run the scheme for 3 years commencing in April 2008. The initial funding is estimated to be £5,000 per year.

Source of funds

The scheme is funded by One NorthEast. Codeworks have also attracted new research and development (R&D) funding for advanced projects from both the UK National Technology Programme and the EU Framework Programme.

Number of companies supported

It is estimated that the pilot scheme will support 200 companies over the next 3 years.

Criteria for awards

The DMT programme is interested in hearing from individuals, groups and organisations with innovative technology-based ideas that they wish to take through to the next stage of development.

Awards granted

- Videojuicer
- AiDEPT
- Get-Me TV
- N-CODE

Codeworks Connect

Overview

Codeworks Connect is a trade association which facilitates commercial collaboration and provides hands-on support to digital technology and media companies of all sizes. Codeworks Connect serves a highly diverse range of digital companies from software development firms and web companies right through to animation studios and designers. Connect provides a range of services including networking facilitation, knowledge transfer, business leads and promotion.

Value of fund in total

n/a

Source of funds

Codeworks is supported by the North East's Regional Development Agency: ONE Northeast which is part financed by the European Union's Regional Development Fund and Social Fund.

Number of companies supported

271 members

Criteria for awards

Membership for the Codeworks network is open to individuals and businesses that pay a registration fee. Annual membership fees range from £78.38 for individuals through to £1,321.88 for national and international organisations.

Awards granted

n/a

GamesHorizon

Overview

Codeworks GameHorizon focuses solely on supporting North East England's thriving community of videogames companies.

Value of fund in total

n/a

Source of funds

Codeworks is supported by the North East's Regional Development Agency: ONE Northeast which is part financed by the European Union's Regional Development Fund and Social Fund. The GamesHorizon scheme is also sponsored by Audiomotion Studios and Bluegfx.

Number of companies supported

28 companies are members of the GamesHorizon network.

Criteria for awards

n/a

Awards granted

n/a

9.3.4 DigitalCity

Overview

DigitalCity is an economic regeneration project in the Tees Valley which aims to bring together people working within digital media and technology to create a group of successful, sustainable businesses.

Aims

The objective is to create a self-sustaining, vibrant, successful 'supercluster' in the Tees Valley based on digital media and digital technologies. The vision is that by 2010 this cluster will form a key part of the overall regeneration of Tees Valley. It will have a world reputation, and a brand that will become an international byword for innovation, daring and excellence.

What they offer

DigitalCity intends to carry out cluster projects and has seven key initiatives and three building projects. Its Framework Plan maps out the process for achieving them. The process takes each initiative through a number of stages including development, feasibility study, business plan, funding, stakeholder buy-in and third party involvement.

DigitalCity supports the development of business ideas or the production of portfolios of work to a point where they are commercially exploitable and/or are award-winning to attract further funding.

DigitalCity is interested in working with people in the following sectors:

- Animation development and production;
- Games design and software development;
- Filmmaking;
- Visual and digital special effects;
- Virtual reality;
- Scientific, technical and medical visualization;
- Digital arts;
- Music technology and production.

Level and source of funding

DigitalCity is a project core-funded by One NorthEast and based at the University of Teesside. DigitalCity has committed investment of over £36m.

Strategic focus

The emphasis for Digital City projects will always be on sound business cases, appropriate scale, minimised risk and maximum benefits to the Tees Valley.

Business Acceleration Scheme

Overview

DigitalCity Business' Acceleration Scheme provides resources and specialist mentoring for businesses that can demonstrate ambition, achievement and growth potential. The scheme helps selected companies build a solid and sustainable platform on which they will successfully expand their business.

Value of fund in total

n/a

Source of funds

The scheme is funded by Middlesbrough Partnership through Middlesbrough Council and run in close partnership with Business Link Tees Valley

Number of companies supported

n/a

Criteria for awards

n/a

Awards granted

The custom-designed scheme offers additional high level support from organisations such as NStar, Ward Hadaway, and some top level mentors from London, and further afield.

Recipients include:

Moshine, 3rd Dimension Creations, Animmersion, Nakuma, Inner Realm, The Alley, Artificial Worlds, Virtual Radiography, Cone King, Happy as Larry.

9.3.5 Orange North Star Film Award**Overview**

This award offers the chance for one filmmaker to have their production idea for a short film financed by Orange and produced by Yipp Films.

Value of fund in total

£40,000 production budget

Source of funds

Yipp Films (production company) and Orange™.

Number of companies supported

1

Criteria for awards

The Award is designed for experienced filmmakers resident in the UK who have yet to make their first feature film. Only those who have made either two short films or one factual/drama television programmes of at least 30 minutes duration are eligible to apply.

Awards granted

Trip (2006)

9.4 Infrastructure and geography

9.4.1 Company base

The North East has core strengths within the digital media sector, particularly around interactive software, games and new media. Within the North East there is a significant cluster of games companies located in Newcastle and Teeside, including a number of major games developers operating internationally, such as Eutechnyx, Mere Mortals and Atomic Planet, and a number of key players in the serious games arena, such as UK Haptics and Caspian Learning. The games sector is well supported by Game Horizon, the games business network run by Codeworks. Game Horizon currently has 28 members, which is felt to represent 100% of the sector in the region.⁸⁷ Codeworks Connect, the trade association for digital businesses working in North East England, currently has 271 members, with major players in the broader digital media including Sage and Perfect Image.⁸⁸

The games industry operates on an international basis, based largely in the US and Asia and it has a well established global market. The North East has a strong cluster of games companies and there is potential to attract buyers to the region by growing this cluster.

There is a small number of significant players in the independent TV sector within the region; notable companies include Media 19, Liberty Bell and Standing Stone. Similarly the music industry is less established in the region; the supply chain is too underdeveloped to support significant regional industry.

9.4.2 Creative talent

The North East's universities are generating a strong pool of graduate talent for the commercial creative industries, particular strengths include: University of Sunderland – new media; University of Newcastle – culture lab; University of Northumbria – design, new media, fashion; and University of Teesside: games, animation, digital media. However, at the moment, many of the sub-sectors are too small and underdeveloped to retain large amounts of new graduates, resulting in a drain of talent from the region.

Sector support services in the region are working to improve this situation and encourage more graduates to stay in the region and stem the 'brain drain'. For example, Codeworks' Connect and GameHorizon members benefit from a digital placement project which provides subsidised industry-based placements for both students and graduates (up to £6,000 for a 12 month placement), 80% of graduates from the scheme have remained in the region in longer-term employment following their placement. Codeworks has also developed a Digital Recruitment Fair to retain and attract talent to the region and to work with student champions to promote the region's digital sector within the universities.

As with many other regions, TV production companies in the North East suffer a relative shortage of high quality, highly experienced staff. This situation is arguably more acute in the North East than elsewhere, as the small size of the film and TV industries in the region

⁸⁷ www.gamehorizon.net

⁸⁸ www.codeworksconnect.net/members/members_list.php

means that there is less work to retain the experienced staff with the necessary industry knowledge and high level skills required by a developing sector.

Recent investment in Newcastle's cultural infrastructure has enhanced the region's reputation as a creative place; this, coupled with lower costs of running businesses, is making the area more appealing to creative companies.

9.4.3 Studios and workspace

Property in Newcastle is still relatively affordable when compared with many other production centres in the UK. Consequently the availability of affordable and suitable workspace for the digital media industries is less of an issue in the North East than in some other regions.

A number of property based initiatives have been developed specifically for the region's digital media cluster that combine high-tech workspace with associated business support. These include Digital City, Institute of Digital Innovation and the Centre for Creative Technologies and the BoHo Zone. These developments are focused around the Tees Valley area and have received significant levels of support through One NorthEast and European Regional Development Funding.

9.4.4 Sector support

While there are a number of good examples of support provision for the digital media sector in the North East, recent research has identified that there is significant confusion in the support sector. The greatest level of perceived cross-over is between Digital City, Codeworks and Northern Film and Media, around the converged digital industries. While there is increased evidence of the individual organisations working together on projects, there are many other examples of the organisations delivering similar activities aimed at the same market. This is likely to increase as convergence continues to affect the sector.⁸⁹

Neither the businesses in the North East's commercial creative industries, nor the support organisations that have been established to help accelerate their growth, mix particularly with one another. Increasing emphasis on encouraging the businesses to network more effectively across industry sectors as well as within them is required in the region.

9.4.5 Transport and communications

As with many other regional centres, Newcastle now benefits from a fast and regular train service to London which now has free wireless internet available on trains. The problem faced by Newcastle is likely to be less about connectivity than it is about critical mass. There are still perceptions of the region as remote and focused on traditional industries.

There is also a fear amongst businesses in the region over the proposed expansion of Manchester as a 'Media City'; with Manchester being difficult to access from the North East due to the difficulties of east-west rail links limiting the benefit of the development to the

⁸⁹ One NorthEast / nmp Ltd (October 2007) *Commercial Creative Sector Research*

North beyond Manchester. There is a concern that the transport limitations might result in a “drift west” with digital media companies relocating from the North East to benefit from opportunities in Manchester.

9.4.6 Regional geography

North East media businesses express the concern that they are geographically remote from London. The broadcasters, especially the BBC, arguably do not perceive the North East, specifically, as an independent and distinctive region; rather they view it as ‘The North’ generally.

With Tyne Tees TV and the BBC relatively inactive in the region in terms of commissioning content and an underdeveloped value chain in the region, there is little advantage to being located in the North East for London based production companies looking to locate elsewhere to take advantage of regional production quotas.

9.5 Significant developments

9.5.1 Seaham soundstages

Early discussions are underway to create a £30 million film and media village in Seaham, a small coastal town in County Durham, 12 miles east of Durham City and 6 miles south of Sunderland.

The complex, on land south of Seaham, would include a number of soundstages providing an additional fundamental piece of industrial infrastructure, which would enhance the North East as a location for the film industry. The development would bring more than 1,800 jobs to east Durham and revitalise the area that struggles with the highest unemployment in the region. However, the project is yet to be given the go-head after the Government has scrapped the greenfield site from the Regional Spatial Strategy, placing a question mark over the whole project.⁹⁰

9.5.2 Media Enterprise Centre Network

The North East is responding to the opportunities presented by MediaCity:UK in Salford by developing networks, improving their data fibre networks, and linking them into key creative hubs and spokes. This effort is concentrated on key venues / locations in Newcastle, Sunderland and Middlesbrough, and is called the ‘Media Enterprise Centre network’ (MEC).

The proposal for the North East (as outlined below) is to utilise and link existing ‘creative’ hubs and encourage the development of a hub and spoke model across the North East, linking this ‘NE offer’ into the other two regions on a high speed digital network.

The MEC network has three main objectives:

⁹⁰ <http://www.sunderlandecho.com/news?articleid=3087624>

- To help provide SME independent production companies and digital content and technology businesses with access to buyers and new markets.
- To support the raising of creative, technical and commercial skills levels across the relevant sectors in order to prepare regionally-based suppliers (and emerging talent) to trade on a more commercial basis and within new markets.
- To provide an environment for innovation – supporting collaboration within, across and between the spectrum of media and digital content and technology sectors.

The focus of the MEC network across the North will be to bring together a powerful combination of:

- Broadcasters and publishers;
- Digital media content developers and providers; independent production companies;
- Communication technology partners;
- Research and development institutions/support agencies.

9.6 Company profiles

9.6.1 Media 19

Media 19 is run by a husband and wife team and aims to be one of the innovators of ambitious & innovative projects that are more than just television. Their projects aim to engage the public's imagination & creativity and deliver user generated content for presentation across a wide range of platforms - online, on television, in public spaces and through public exhibition. They have had various small grants mainly from the arts council over the years. They benefited from the Network TV investment fund in March 2007 - £60,000 over two years to increase commissions in the region.

9.7 Summary

Newcastle has a BBC presence but no commissioners and is also home to Tyne Tees TV, which is part of the ITV network but commissions very little. *Byker Grove* is still regarded as the high point in the region's broadcast production history. Loss of that episodic drama has resulted in a reduction in the core strengths of the talent pool.

One NorthEast (ONE) is the regional development agency. The 'commercial creative' industries are a priority area in the Regional Economic Strategy, and ONE is therefore working to understand and support this sector, which includes digital media. There is an identified regional strength in this sector, especially around games and web-based media. ONE places increasing emphasis on supporting companies with the capacity for high growth – i.e. to contribute most effectively and efficiently to regional growth and RES targets.

The commercial creative sector is split into six sub-sectors, defined by ONE as:

- Advertising, design and brand communication;
- Performing arts (with a focus on content creation);
- Publishing (with a focus on content creation);
- New media, games and software;
- Film, TV and video;
- Music (origination and distribution);

The core value of the 'commercial creative' sector in the North East rests within the following three subsectors:

- Advertising, design and brand communication;
- New media, games and software;
- Film, TV and video.

Due to the digitisation of the sector, NFM are increasingly providing services for new media and digital content companies.

There is a critical mass of digital industries in the region, with games being a particularly strong element. Start-up companies are supported in the Tees valley by DigitalCity – a business support organisation connected to the Institute of Digital Innovation at the University of Teesside.

Companies are generally well networked together, and there is a strong tradition of working in partnership, particularly in the games industry, which is a small community that is particularly well served with networking opportunities by Games Horizon and Codeworks.

The move of the BBC new media division to Salford offers both opportunities and threats to the sector in the North East. Whilst the move offers the North East a potentially significant market for digital production, there is a risk of companies migrating to Manchester. Codeworks is currently working to put networks in place, working with the North West Development Agency and the BBC to build relationships to ensure that the regions are connected, so that North East companies can work with the BBC cluster. As part of the infrastructure development across the North that is connected to mediacity:uk, the North East is to invest heavily in broadband connectivity rather than business accelerators or workspace.

The sector in the North East is significantly smaller than in other regions. A dominant factor limiting the sector is the lack of major buyers – whether that is the head offices of leading brands that buy branding and marketing services, broadcasters with commissioning power, or new media platform owners such as the mobile network owners, device manufacturers or major search engines. Furthermore, there is very little tradition of entrepreneurialism in the region compared to elsewhere in the UK.

10.0 BELFAST AND NORTHERN IRELAND

10.1 Key statistics

10.1.1 Northern Ireland sector employment⁹¹

Of total UK sector employment	2%
Total sector employment	3,200
Total permanent employees	2,400
Total freelance employees	800
Broadcast television employment	700
Independent television employment	600
Digital media employment ⁹²	900

10.1.2 Northern Ireland commissioning spend⁹³

Total spend on TV production	£43 million
Of total UK spend on TV production	2%
Total spent by broadcasters on external commissioning	£3 million

10.2 Overview

Although the independent TV production sector in Belfast is small, the NIFTIC (now called Northern Ireland Screen) Annual Report 2005-6 indicates that the sector grew by 47% in that period. This high growth is attributed to Northern Irish production companies such as Green Inc, Stirling Productions and Waddell Media securing commissions from outside the UK.⁹⁴ There is an enthusiasm in the digital media field in Northern Ireland and strategies that show strong intent for further growth.

A recent Invest Northern Ireland report acknowledges that *'The digital content industry in Northern Ireland is embryonic and fragmented'*⁹⁵. In Northern Ireland, many digital content practitioners use their specialist skills and knowledge working within other industries, for example web developers working in financial services or in software development companies. New areas are emerging

⁹¹ Skillsset (2006) *Employment Census 2006 – supporting dataset*

⁹² Animation, Web and internet, Offline multimedia, Interactive TV, Mobile content and computer games

⁹³ Ofcom (September 2005) *Television Production Sector Review – a survey of TV programme production in the UK*

⁹⁴ NIFTIC (2006), *Annual Review 2005/6*

⁹⁵ Invest Northern Ireland (2007), *Building the Foundations: The Northern Ireland Digital Content Strategy*

where games developers are using their skills in e-learning/serious gaming, and 3D imaging technology or streaming media companies are using their technology and content in the medical sector.

10.3 Support for the sector

10.3.1 Invest Northern Ireland (Regional Development Agency)

Overview

The creative industries were until recently the responsibility of the Department of Culture, Arts and Leisure but have transferred to Invest Northern Ireland (Invest NI). Invest NI is part of the Department of Enterprise, Trade and Investment.

In January 2008, Invest NI launched a new framework for developing the digital content sector in Northern Ireland, which identifies the key issues facing the sector and proposes a co-ordinated approach to address these, by engaging industry, government, third level education, research institutes and other stakeholder groups. This strategy recognises Northern Ireland's relatively low starting point but crucially acknowledges the need for coordination and leadership and sets very ambitious growth targets.⁹⁶ The strategy particularly targets digital animation, mobile and web content and e-learning / serious gaming.

Aims

Invest NI's role is to grow the economy by helping new and existing businesses to compete internationally, and by attracting new investment to Northern Ireland.

What they offer

Invest NI's Business Support strategy is divided into 6 key areas – Business Health Check, Business Direction Solution, Design Development, Financial Assistance, Business Information Services and Property Solutions. Invest NI's approach to the digital media sector is to work in partnership with Northern Ireland Screen (formerly known as the Northern Ireland Film & Television Commission: NIFTC) to deliver support to the local sector to increase sales outside Northern Ireland and to secure inward investment.

During the two year period 2004 to 2006, Invest NI made in excess of 270 offers of financial assistance to Software, Digital Content and Film & TV businesses, representing an aggregate Invest NI commitment of £14.8m, leveraging a total investment of £58.2 million.

Level and source of funding

Invest NI is funded by the Northern Ireland Government.

⁹⁶ Invest Northern Ireland (2007, *Building the Foundations: The Northern Ireland Digital Content Strategy*)

10.3.2 Northern Ireland Screen (Screen Agency)

Overview

Northern Ireland Screen was known as Northern Ireland Film and Television Commission (NIFTIC) until 2007.

Northern Ireland Screen's current strategy for development of the sector has two basic strands: Inward investment: where it seeks to attract high value productions – both feature films and television drama - to shoot on location in Northern Ireland; and home industry. The focus of support has been largely for “traditional” film and TV but is increasingly aimed at digital media.

Aims

Northern Ireland Screen (NI Screen) aims to accelerate the development of the screen industry in Northern Ireland. Through their funding initiatives for company, business and product development, Northern Ireland Screen supports production companies based in Northern Ireland to develop sustainable businesses.

What they offer

Northern Ireland Screen administers and allocates various funds for the development and production of the moving image, including feature films, shorts, animation, documentaries, television drama series and new media.

Level and source of funding

Northern Ireland Screen is funded by Invest Northern Ireland, the Department of Culture Arts and Leisure and the UK Film Council. The screen agency is delegated by the Arts Council of Northern Ireland to administer Lottery funding in Northern Ireland.

The most recent data shows that, during the two year period 2004 to 2006, Invest NI provided the funding to enable NIFTIC (now Northern Ireland Screen) to finance 10 film productions to a total of £2.7m leveraging a total investment of £8.2m, and to make 83 offers of financial assistance to indigenous film and TV production companies to a total of £261,000 leveraging a total investment of £550,000.

Northern Ireland Screen Fund: Development Funding – Slate Fund and Digital Media Fund

Overview

In May 2007, a newly structured umbrella fund known as the Northern Ireland Screen Fund was created through a review of their portfolio of funding programmes. The aim of the fund is to encourage a greater volume of content to be produced in Northern Ireland and is allocated for feature film and television (including non-drama), as well as digital content, in the interests of creating products with cultural expression.

The fund comprises two strands: development funding and production funding. The Development element of the Screen Fund is a Northern Ireland Screen initiative. It is part of the Screen Fund's strategy of support designed to boost and grow the production sector in Northern Ireland. The funding will be used to invest in projects that are underwritten by ambitious, market driven business strategies for growth.

This funding strand includes both the Slate Fund and the Digital Media Fund

Value of fund in total

£500,000 for the Slate Fund;
£250,000 for the Digital Media Fund.

Source of funds

Invest NI

Number of companies supported

Seven in total: five on the Slate Fund and two on the Digital Media Fund.

Criteria for awards

The Screen Fund will consider applications from Northern Ireland-based independent production companies able to demonstrate a track record in output. The Screen Fund will also support projects from companies from elsewhere in Europe provided they establish a base in Northern Ireland underpinned by ambitious, market-driven strategies for growth within the broadcast sectors.

Northern Ireland Screen expects development applications to be realistic and appropriate to the scale of the production. The Screen Fund will assess applications on the strength of the applicant company's ability to illustrate that its project/slate of projects is focused on specific market demands together with the Screen Fund Cultural Test and UK Cultural Test.

Evidence of this market focus will be deduced by assessment of the track record of the company; any references to broadcasting trends, specific commissioning editor requests or general social and media trends on alternate distribution platforms within the application; a focus on network and/or international commissions and the production of products for an export market; and the development of an innovative product that can be developed in partnership with other players in the market.

For the slate fund: Priority will be given to projects with matching support from any of the following:

- Network broadcasters;
- Other third-party source;
- End-user.

For the digital media fund: Funding is available for:

- Moving image content relayed through hand-held devices;
- Production of a game linked to a moving image programme or film;
- Internet-driven collaborative projects.

Digital media projects may use analogue or digital technology within a digital and/or internet domain to produce a particular project. All digital media projects must contain at least 60% of moving image.

Awards granted

The development strand of the Screen Fund will provide loans of between £1,000 and £100,000. For budgets of up to £10,000, up to 90% of the budget can be applied for. For budgets of £10,001 to £20,000, up to 75% of the budget can be applied for. For budgets of £20,001 to £100,000, up to 50% of the budget can be applied for. For the Slate Fund, funding is made by way of a recoupable loan. The Screen Fund must recoup the percentage of the loan that was spent on the commissioned production plus an additional premium of 50%.

The development fund has been awarded to the film *Stamping Ground*, which is currently in its early stages of development.

Northern Ireland Screen Fund: Production Funding (the Screen Fund)

Overview

The Production element of the Northern Ireland Screen Fund (the Screen Fund) is a Northern Ireland Screen initiative. It is part of their strategy of support designed to boost and grow the production sector in Northern Ireland.

Value of fund in total

£2,134,436 was awarded in 2006/07.

Source of funds

Invest NI

Number of companies supported

Six productions were supported in 2006/07.

Criteria for awards

Projects must:

- Meets UK Cultural Test & the Screen Fund Cultural Criteria.
- Have an acceptable projected recoupment position.
- Not have funding that exceeds £800,000 up to a ceiling of 25% of the overall project costs.
- Have the possibility of commercial exploitation that can be illustrated to be commercially viable.
- Have evidence of match funding for normally no less than 65% of the project cost at the point of application.
- Have an experienced production and management team identified with proven track record.
- Have a strong cultural relevance to Northern Ireland.

Awards granted

The maximum award is £800,000 or 25% of the budget, whichever is the lesser amount. The following feature-length productions have recently received awards from Northern Ireland Screen Production Fund: In 2007: *Puffball* (2007) (£165,000), *Gene-Fusion: Ready2Fuse* (£400,000), *WAZ* (2007) (£399,436), *Round Ireland with a Fridge* (filmed in 2006) (£350,000), *Shrooms* (2006) (£300,000), *Bel's Boys* (2006) (£520,000).

The following productions have also received production funding from Northern Ireland Screen:

How About You (2007), *Closing the Ring* (2006) (£600,000), *Middletown* (2006) (£200,000), *Small Engine Repair* (2006) (£279,336).

Irish Language Broadcast Fund

Overview

The Irish Language Broadcast Fund (the 'ILBF') has been set up to provide finance for the production of quality moving image product in the Irish language in Northern Ireland. The Fund wishes to co-finance a wide range of moving image product capable of being delivered by present and developing delivery platforms – including analogue, digital, online and interactive.

Northern Ireland Screen (then known as Northern Ireland Film and Television Commission NIFTIC) was given responsibility of the ILBF in 2004. The priority for NI Screen in administering the fund is the audience in Northern Ireland, however the programmes funded reach wider audiences through the use of English subtitles.

Value of fund in total

£12m over five years (2005 – 2010).

Source of funds

The Irish Government's Department of Culture, Arts and Leisure is providing the funding of £12 million with a target of at least 75 additional hours in Irish language broadcasting per year by 2008.

Number of companies supported

In 2005/06 over 120 hours of Irish language TV was generated through the ILBF.

Criteria for awards

Applicants to the ILBF must be registered independent companies with a permanent agency in Northern Ireland. The application for funding must provide clear evidence that the product will, once produced, reach a substantial audience in Northern Ireland. Other key criteria include a minimum requirement of 60% of the spoken word within the production to be in Irish and for every funded project to be sub-titled in English.

Awards granted

The Fund will invest between £10,000 and £400,000 up to a ceiling of 75% of the overall agreed project costs and will require that no less than 70% of those project costs is spent in Northern Ireland.

In 2008, four production series funded by the ILBF will be screened: NA DÓDAÍ, a 10 part preschool series on BBC NI; SEACHT, a brand new 8 part drama series on TG4. Ireland's hit battle-of-the-bands show, DEIS ROC, returns on TG4 and there will be a new brand alternative chat and entertainment show IMEALL GEAL to be shown on BBC2 NI.

A DHARCA FADA (TV series) was funded by the ILBF in 2006 and produced by Magma Films.

The feature film *Kings* (2006) produced by Newgrange Pictures was part-funded by the ILBF alongside TG4, the Irish Film Board and the Broadcast Commissions of Ireland.

10.3.3 Belfast City Council

Overview

The Council recognises the need to nurture the sectors that can create high value-added products and bring new wealth to the city, and has identified the Creative Industries as 1 of 4 key sectors. Within this, the council have identified priorities in the 'Media and Knowledge' sub-group (including Television, Film, Digital Media and Software development).

Aims

Shaped by the priorities set out by its Local Economic Development Strategy 'Sustaining Competitive Advantage 2002 - 2006', the Council is committed to support and develop the creative industries by working with local companies in providing jobs and spreading new wealth around the city to establish a stronger economic base.

What they offer

The Council's priority actions are the provision of tailored information, guidance and mentoring with regards to business start-up and development. Other key areas include access to finance, sales and marketing skills, and infrastructure and export development.

Level and source of funding

The Council offers a range of initiatives funded by the EU and in association with the city's two universities.

Digital Media Growth Initiative

Overview

Belfast City Council, through their Creative Industries plan, have formed a partnership with Momentum (Northern Ireland's ICT trade association) to deliver a Digital Media Growth Initiative, designed to establish an interactive network of companies in the Belfast City Council area who operate in the Digital Media sector.

The key aims and objectives of the project are to:

- Create a vibrant cross-community business network of large and small companies within the Digital Media sector in the Belfast City Council area
- Facilitate management development opportunities for owner/managers of these companies within an interactive, business-led, group learning process
- Create a long-term, sustainable support structure for these companies
- Facilitate collaboration between companies focussed on developing business opportunities outside Northern Ireland
- Seek to establish relationships with similar networks in other regions

Value of fund in total

This information is not available as the fund has now closed.

Source of funds

The Digital Media Growth Initiative is jointly funded by Belfast City Council and the Department of Enterprise, Trade and Investment's Building Sustainability Programme.

Number of companies supported

In 2005, 22 companies were supported.

Criteria for awards

This initiative is open to companies working in animation, web development, games and mobile technology in the Belfast area.

Awards granted

In 2006, CanDo Interactive and Fable Multimedia benefited from the initiative. In 2005 Net-finity was one of 22 companies supported by the initiative.

10.4 Infrastructure and geography

10.4.1 Company base

Most TV production companies in Belfast are extremely small, making work for the local market. However, Tern TV were attracted to open an official Belfast office last year due to the positive attitude of the sector and forecasts for out of London commissioning, level of financial support available from Screen Northern Ireland (who one interviewee suggested contribute one-third of production spend in Northern Ireland for a network programme) and strong financial support (of unnamed quantity) Other independent TV companies have used Northern Ireland as a production base, returning to their home cities once the project is over.

10.4.2 Creative talent

NI has adopted a strategic focus on developing the post graduate talent pool and the HE/FE infrastructure has received significant investment to develop their courses in creative and digital subjects. Invest Northern Ireland and Screen NI are now very focused on delivering a digital media sector that attracts inward investing companies at the same time as trying to build the indigenous talent base. They suffer from the small size of the market and subsequent difficulty in attracting high level talent across a range of disciplines.

10.4.3 Workspace

The Technology and Software Innovation Centre (TSIC) – TSIC is one of four incubators established by the University of Ulster. Based on the Magee Campus in Londonderry its original focus was to encourage and assist new companies that were developing with university involvement (spin-outs/spin-ins). The incubator was intended to have a software and information technology bias. Clients are clustered in the software and information technology sectors. They include electronic procurement, database development, online teaching, robotic automation, web design, and electronic messaging management.

The Science and Innovation Centre (SIC) – SIC was “*designed to provide new start-up businesses with full incubation opportunities and for inward investment companies with the initial base of operations.*” SIC is based on the Coleraine Campus and was originally focused on bioscience opportunities, but has recently broadened its focus. Tenants are involved in media and information, consultancy, GIS applications, security solutions, networked systems, and e-business management. There are no clients in the original bioscience target sector and average employment is seven per company.

The Technology and Engineering Innovation Centre – Jordanstown Campus - The TEIC is based on the Jordanstown Campus and focuses on both spin-out companies from University of Ulster research, and spin-in companies that could benefit from the university’s research. All client businesses must be technology based and the focus is on spin-out and spin-in companies that utilise the university’s research, especially but not exclusively those in the technology and engineering sectors.

Qubis - Queens University established QUBIS Ltd to commercialise the research and development being carried out by the university by forming companies, especially joint ventures. A major aim is to commercialise appropriate R&D from the laboratory. QUBIS is one of the longest established business incubation companies in the UK, and takes a conservative and long-term view of incubation. QUBIS considers any company in which it has an investment as an incubation client. All existing clients could be considered as ‘technology’ companies, however according to QUBIS only two are based on the commercialisation of IP rather than broader technological know how. The client base has a combined turnover of £37m. The model of QUBIS is more akin to the role that an equity investor might play than the approach taken by a typical business incubator. However, the approach has been effective in spinning out a large number of companies over many years. Companies are clients until the shareholding is divested; QUBIS has disinvested 7 of its 39 investments.

Sonic Arts Research Centre (SARC) at Queens University, which is a Centre of Excellence dedicated to the research of music technology and now based in the *Titanic Quarter* – Belfast’s equivalent of Pacific Quay;

The Institute of Electronics, Communication and Information Technology (ECIT), again part of Queen's University Belfast, is a developing hub for advanced digital and electronic communication technology, in Belfast's *Titanic Quarter*;

10.4.4 Sector support

As detailed above, there is already a generous suite of funding available for digital media companies in the region, and this provision is likely to grow given Invest NI's recent Digital Content strategy. Stakeholders are committed to detailed and involved strategic planning for the sector, as well as financial investment.

10.4.5 Transport and communications

Northern Ireland is the first area of Europe to have 100% broadband coverage. Belfast has excellent air links to the UK, Europe and North America.

10.4.6 Regional geography

Northern Ireland benefits from being part of both the UK and the island of Ireland, with easy access to both markets, although the physical distance from mainland Britain perhaps acts as an additional psychological barrier from the TV industry centred in London. This geography has driven production companies to service mainly local markets, including RTE in Dublin, although as detailed above BBC Northern Ireland has been very active in stimulating production in Northern Ireland, Although Northern Ireland has a small population there is a growing talent pool of digital media graduates.

10.5 Company profiles

10.5.1 Waddell Media

Waddell Media (formerly Brian Waddell Productions Limited) is Northern Ireland's longest established television production company. Founded in 1988 by Brian Waddell, former director of programmes at Ulster Television, Waddell Media produces around 50 hours of television each year for most of the leading UK broadcasters. The company receives support from both Invest NI and Screen Northern Ireland.

Waddell Media specialises in factual, lifestyle and entertainment programming and has recently won a contract with BBC's *The One Show*, for whom it is commissioned to produce 27 inserts. The company has its own camera crews and other technical facilities that are dedicated to in-house productions and has a policy of employing only experienced and highly creative people in all departments.

Waddell media is also well established in the international market, with major commissions in the US for Discovery, National Geographic and A&E. The company is now looking to broaden its international client base, concentrating specifically on the US market.

10.5.2 DoubleBand Films

DoubleBand Films was founded by directors Michael Hewitt and Dermot Lavery in 1985 and has since been established as one of the most vital and influential production companies in Northern Ireland. It is best known for documentaries, paying particular attention to sport, with 'Escobar's Own Goal' (1998), 'Maradona: Kicking the Habit' (2000) and 'George Best's Body' (2001) forming a trilogy of football biographies for the UK's Channel Four. These have been complemented by a number of other documentaries on a range of subjects as well as the award-winning short drama film *Still Life* (1998). With its strong links to the BBC, Channel Four and RTE, and a reputation for excellence, DoubleBand is one of the leading documentary production companies in the UK.

10.5.3 Green Inc

Green Inc was formed in 1996 by Stephen Stewart and Patrick Kielty as an entertainment company to make *Last Chance Lottery* and *Gas* for C4. Green Inc were in failed merger discussions with Cardiff's Boomerang last year and instead has successfully expanded in to other genres, such as reality TV, producing over 260 hours of television in the past year. Green Inc is Ireland's largest producer of programmes and was recently ranked 3rd Factual Entertainment Producer in the UK (*Broadcast 9th March 2007*). Its main offices are in Belfast and Dublin, with a production office in London. High profile productions include *Patrick Kielty Almost Live* for BBC One, *It's not the Answer* for ITV and RTE, *Red Bull Music Academy*, *Last Chance Lottery* and *Gas* for Channel 4. Green Inc also produce RTE's live flagship daytime programme, *The Afternoon Show*. The company has an excellent reputation for producing large-scale, live entertainment programming.

10.5.4 Awakin

Awakin stands for '*Audio-visual, Welcoming Applications, Knowledge & Innovation, Now*'. Awakin is a fast growing provider of Tourism, Heritage & Educational mobile digital content. Awakin was established in April 2004, and was previously part funded by the Northern Ireland Tourist Board to develop new, innovative and exciting digital interpretations in order to promote Northern Ireland as a leading tourist destination.

Awakin currently offers audio-visual trails and downloadable podcasts, playable through multimedia devices or delivered via the Node Explorer handheld device. Awakin aims to become the primary provider of audio-visual interpretation experiences within Ireland. Awakin offers pre-production, production, video/audio editing, music/sound effects, graphic design, 3D special effects and interactive applications. They have worked in a broad base of industry sectors such as television, education, design, travel, and heritage.

10.6 Summary

Northern Ireland suffers even more than Glasgow from its relative geographical remoteness and has a lack of scale within its digital sector. It tries to compensate for this through innovative support schemes and by trying to encourage the development of a creative community and increased collaboration in working practices.

Northern Ireland is investing a lot of effort in developing both its creative community and in commercialising the IP from its universities. In fact, the HE/FE infrastructure is regarded as key by the economic development sector in driving growth across the knowledge economy.

Digital media is regarded as one of the priority sectors that can add substantial GVA as well as promote the cultural life of Northern Ireland and the transfer of responsibility from the Department of Culture Arts and Leisure (DCAL) to Invest Northern Ireland was a statement of intent that the emphasis had shifted from cultural to industrial development. The bodies responsible for the development of the digital media sector in Northern Ireland have detailed strategies and plans for sector development, and are investing significant resources in supporting sector growth. There is potential for Glasgow to learn from this detailed commitment to the sector – and also to be aware that Belfast intends to become a more significant player in the market in coming years.

11.0 CONCLUSIONS

From the review of the support infrastructure elsewhere, we can say that the situation is not radically different in any of the nations and regions compared to Scotland. It looks like the regions are doing better than the nations but on closer analysis, this improved performance can be largely attributed to Manchester and Bristol.

The broadcast industry faces threats as well as opportunities as it comes to terms with new media. Past commercial success may well have depended solely on personal relationships with a small number of commissioners, but this will become of less importance as the role of secondary exploitation and 360 degree opportunities increase. Broadcasters may expect producers to bring in outside funding through such sources as leveraged IP rights, merchandising advances or sponsorship. In addition, markets for content outside of the broadcasting tradition are rapidly being created. These new dimensions to deal making will prove challenging to many traditional production companies.

In line with all the regional broadcast centres, a lack of critical mass in the Scottish industry is apparent. For example, during the period that this report was being prepared the UK financial press reported a dip in SMG's share price caused by delays in commissioning the next series of *Rebus*. The effect of one series being dropped, or even delayed, has a noticeable effect on economic activity in the industry in all UK cities other than London. This is partly reinforced by having relatively low budget regional programming which does not necessarily create the skills and connections that bring higher value network commissions.

Scotland has a distinctive culture and artistic heritage and a distinctly identifiable culture. This is reflected in the heritage of writers, storytelling and world renowned innovators that the country has produced. However our geographical remoteness, in the sense of Glasgow's distance from London, generally makes the relationship between production companies and commissioners more difficult to manage. Bristol is probably the best example of a city enjoying a considerable geographical advantage as producers and executives can take advantage of living in attractive countryside, commutable to a significant city of convenient scale which is less than two hours from London.

Scotland is recognised as having expertise in factual programming and to a lesser extent in comedy, with *The Comedy Unit's* success in developing its own comedy writing talent recognised and admired elsewhere.

It is often said that it is necessary to have returning drama series in order to have a fully functioning independent production industry. There is expertise in drama production through *Taggart*, *Rebus* and *River City*. *Taggart* is one of the longest running drama series in production and whilst it now needs further investment, it is still one of the UK's biggest grossing drama series based on international sales. *Rebus* is possibly the modern equivalent and could be set to go on for some time if it is exploited to the full. *River City* may have the potential to do for Glasgow what *Brookside* and *Hollyoaks* have contributed to the North West. Indeed the *Pie Factory* in Salford is a studio development run by post production house *Sumners* and is designed for and populated by production houses with expertise and commissions for returning drama series.

There are numerous successful Scots in the digital industries. There is a significant list of influential individuals that have achieved success in the broadcast industry as writers, producers, actors and business people. We have many leaders in the advertising industry and of course occupy some key roles in the biggest technology companies in the world. Scots are capable of success in this industry – we just need to make more of the successes and one way of doing that may be to talk about Digital Scotland as opposed to having broadcast in Glasgow, games in Dundee and advertising and new media in Edinburgh.

According to Matt Locke of Channel 4, the BBC innovation labs in Scotland demonstrated the best understanding of how to combine content and technology across multiple platforms. This is a crucial finding as commercial success in digital media will occur on the cusp of content and technology. For example, major global technology companies such as Nokia recognise the need to source compelling content if they are ever going to achieve their desired return on investment in technology infrastructure. In fact, Nokia have committed to a strategy that will see one third of all their resources being committed to becoming an internet business by 2012 and they are actively seeking to locate where they can access leading R&D facilities and entrepreneurial, innovative content developers willing to adopt a risk sharing rather than a traditional commissioning business model.

“Traditional” broadcast will be with us for some time to come but unquestionably, digital media is fragmenting the traditional audience and undermining the old business model. Scotland needs to put significant effort and investment into building this expertise and seizing the leading position for innovation in the digital media sector.

The timing for change in the sector may be right as there appears to be a significant strength of political will. The establishment of the Scottish Broadcasting Commission is a clear sign that the Scottish Government wants to engage with the sector.

Elsewhere, whilst the Regional Attraction Fund gets a lot of profile and has undoubtedly opened doors for North West Vision as they try to build the supply chain to cope with the BBC’s planned arrival, the actual sums of money on offer are not so different from what either currently is or has been on offer in the past in Glasgow or other regional centres such as Newcastle, Birmingham or Belfast.

The North West’s key advantage is undoubtedly the mediacity:uk development, added to their traditional strength in drama production built upon ITV Granada and the drama output from Lime Pictures (formerly Mersey TV) and Red Productions. Granada continues to be a rich source of independent talent as the ITV franchise continues to shed staff – which is exactly the background that Scotland’s most successful indies had. Lime is of course, part of All3Media Group and has even more resources to take the business forward. When this is combined with the excellent rail access that the North West has to London, it is no wonder that the region continues to do well.

It is perhaps interesting that North West Vision & Media is chaired by Steve Morrison of All3Media as he has the credibility with the RDA to drive the screen agency along a very commercial route whilst ensuring autonomy for delivery. It is significant however, that the screen agency has recently shifted its strategy from one based on broadcast to one based on digital media. It is also worth noting that the BBC regards the mediacity:uk development as one for the north rather than just Manchester or the North West. The Northern Way alliance of the three northern RDA’s has been working together and is shortly to announce the development of a number of *Media*

Enterprise Centres” across the North West, Yorkshire and the North East, aimed at growing the supply chain in readiness for the BBC move.

Bristol on the other hand manages very well without a RAF but has the undoubted advantage of geographic proximity to London that is underpinned by *Endemol*, *Aardman Animation*, the growing new media cluster and the BBC’s Natural History Department and the presence of *Nokia*, *Orange* and *HP Labs* in Bristol. The screen agency in Bristol takes a very strong view on developing partnerships with buyers and regularly secures excellent exposure to commissioners for their high growth companies. Their relationship with *Channel 4* is a good example of how this approach has paid dividends for the region. In addition, the screen agency has supplemented its core budget with project based funding, specifically aimed at growing the digital media sector.

Cardiff is in much the same position as Scotland except that a few key people have used the power of the commissioners, the Welsh Assembly government and S4C to drive consolidation and a focus on IP ownership remaining in Wales. This strategy has succeeded in driving consolidation within Wales but not the retention of IP. The broadcast industry in Wales lacks scale and may well lose both its major indies to either London or acquisition by a bigger player in the near future. The focus of the media community in Wales is turning to digital and the support sector is following.

Birmingham has taken a clear stance aimed at developing a digital media cluster based largely on its gaming expertise. Again, the Screen Agency has a substantial broadcast production industry presence on its board through Jonnie Turpie and Johanna Dyer. The agency has also successfully secured additional project based funding to pump prime their development activities.

In broadcasting, Glasgow’s inability to maintain scale results in problems with the attraction and retention of talent. We lack the number of companies with the requisite scale and infrastructure to give new entrants the required security of employment, diversity of experience or structured training and development opportunities. In terms of career development for established talent in broadcasting, Scotland is not regarded as a positive choice. That is not necessarily the same view when talking about the wider digital media sector.

There are a number of clear themes that are common to the more successful regional centres, such as

- A close and almost seamless working relationship between the main regional development agencies and the regional screen agencies;
- A clear and consistent message from the economic development agency that the digital sector is valued as a primary driver of the regional or national economy;
- A partnership approach between the key support agencies and their key indigenous and inward investing businesses that builds loyalty and helps to tie them to the location even when times are harder;

- Specialist business support that is credible and connected both up and across the digital value chain;
- A recognition of the need to provide an affordable and suitable *ladder of accommodation* that is aligned to the growth cycle for growing digital business;
- The close involvement of respected industry figures in driving business support delivery.

Glasgow and Scotland really does have to develop a proposition that is compelling in its own right and enhances *the people, networks and institutions* that are already active on the ground. It will require imagination a bit of bravery, a significant input of political will and a real belief that this industry can generate real economic benefit to Glasgow and Scotland.

One of the crucial milestones is achieving scale, especially from an external perspective. Scale in R&D, the talent pool and volume of production is what attracts and retains key talent, inward investment targets and accelerates the growth of indigenous businesses. However, the fundamental issue that ranks above all other things in the digital media industry (as in most industries), is the importance of having multiple drivers (i.e. buyers) of content production. London is the obvious example of this but Bristol and the North West (and Cambridge) are making concerted efforts to create an environment where the range of buyers is focused on digital media rather than merely broadcast. Businesses cluster around the buyers and the talent clusters around the businesses that provide them with interesting work and career progression.

There is much to be done through education and the promotion of creativity and the knowledge economy through schools, HE/FE and the business community to stimulate commercial R&D, increase intern-style training opportunities, increase production and employment opportunities through genuine partnership arrangements with organisations that can stimulate the production of digital content . This appears to be a major challenge requiring effective industrial development activity and amongst other things is likely to require an effective inward investment strategy, perhaps centred on Pacific Quay.

There are many positives for the Scottish situation:

- Glasgow has three broadcasters located in the city. It also has a superindie in RDF, the Research Centre and a well developed support infrastructure. This is regarded as an asset by other regional producers and support providers and helps give an impression of scale;
- Edinburgh has a strong advertising sector and some very strong new media agencies as well as a raft of global technology companies located at Edinburgh Park, which is one of the most highly connected places in the UK. Many people predict the advertising sector will be at the heart of the next wave of new media convergence;

- Dundee has a high profile games development sector lead by companies such as Real Time Worlds and Denki. Games has long been recognised for having the closest relationship between content and technology developers and lends itself to many other corporate and B2C applications outside the entertainment industry. This is a real strength that deserves further investment and support;
- SE's Proof of Concept Fund has helped to uncover real strength in our universities in this sector as evidenced by the commercialisation records of the Universities of Edinburgh and its collaboration with Heriot Watt, the Universities of Glasgow, Strathclyde, Glasgow Caledonian, Napier, the University of Dundee, Abertay in Dundee, Robert Gordon in Aberdeen and of course, the 5* media school at the University of Stirling. This depth of R&D and commercialisation talent is real strength and needs to be promoted to the world as a cohesive entity at the core of a small but emerging country driven by ambition and a desire to make things happen. Whilst there are only a handful of digital media projects involved in the Proof of Concept Fund, there is potential for the successes in other sectors to be emulated in digital media by attracting more digital media applications to the scheme.

There is a need to think big – it really is about Scotland rather than just Glasgow in the collaborative world of digital media. This will require the adoption of a tiered business support model that does focus real expertise and resource on those established companies with genuine high-growth potential whilst providing help to develop the culture of enterprise at an earlier stage.