



# Broadcast and Television Production Strategy Research

Report for the Broadcast and Television Working  
Group

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# 1. Introduction

This report presents the findings of a survey of the broadcast and television production industry in Scotland, commissioned by Creative Scotland and Scottish Enterprise (SE) on behalf of the Broadcast and TV Working Group<sup>1</sup>. This survey asked respondents to provide data for the last two years, and was used to draw comparisons to a previous study undertaken by EKOS in 2012.

## 1.1 Aims and Objectives

The principal aim of the study is to provide the working group an assessment of the broadcast and television production sector in Scotland over 2014/15 and 2015/16 for use in the group's strategy development work. The study will enhance and augment existing UK level reports, (which tend to exclude Scottish level data) and will also inform ongoing strategy development for the wider screen sector by Creative Scotland and partners. The research provides an assessment of:

- the **business base**, covering number of companies, employment and types of roles, turnover and profit; and
- **production activity**, covering the number and value of commissions by UK network, local and international and by genre, the amount of commissioned hours, multichannel commissions and other sales revenues (e.g. from secondary rights exploitation).

The survey collected updated quantitative information for the financial years 2014/15 and 2015/16, comprising:

- **business details:** ownership, employment (permanent and freelance), turnover, and profit rate;
- **commissions:** number and value of commissions by UK network, local and international, and by genre; and
- **other sources of revenue:** nature and value.

It should be noted that the assessment is based on a sample of production companies (and broadcasters) located in Scotland and, as such, will underestimate

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<sup>1</sup> More information on the Broadcast and TV Working Group in Appendix I

the total scale of the sector. In particular, it was not possible to gather data from some of three significant UK owned production companies, and the impact of mobile production activity is not captured (unless delivered by Scottish based production companies or commissioned by Scottish broadcasters).

## 1.2 Study Method

The study was conducted in three stages.

**Stage 1: Inception and Set Up:** the detailed scope of the data to be collected and the final study outputs were agreed, and the fieldwork materials were designed and approved by SE and the TV Working Group.

**Stage 2: Industry Input:** telephone interviews were conducted with the independent production sector and broadcasters.

**Stage 3: Analysis and Reporting:** following the completion of the fieldwork, the data were analysed and draft and final reported produced.

## 1.3 Study Sample

From a sample of 41 contacts in the independent production sector, a total of **15 interviews were undertaken** (a response rate of 37%). As with the previous studies undertaken, the survey attempted to collect data from the largest and most economically significant production companies in Scotland – compiled with the TV Working Group through our existing knowledge of the sector, and expanded with other companies it was thought would be beneficial to survey. While we are confident that we have captured most of the major production companies active in Scotland, there are a few notable exceptions, particularly amongst those companies not headquartered in Scotland. There is also a longer tail of smaller production companies that are less well represented in the sample. As a result, the data will underestimate the value of the sector and its scale in Scotland.

As in previous years, we faced issues with survey fatigue across the sector, which made it difficult to contact some companies for this study. Further, some companies indicated that some of the information sought was commercially sensitive – particularly in relation to the value of individual commissions - and so provided either only commission totals or partial data.

In addition to the interviews undertaken with independent production companies, data was also provided by the three main broadcasters in Scotland – BBC Scotland, STV, and MG Alba. These data describe the value of broadcaster *production activity* in Scotland (i.e. in-house production rather than external commissions) and their employment related to this activity.

Therefore, taken together with the data from independent production companies, this provides a more complete picture of production activity in Scotland.

It should be noted, however, that data on the value of mobile production activities (e.g. the *Outlander* production in Cumbernauld) are not captured here, unless these are programmes made by companies with a base in Scotland or via broadcaster in-house teams.

## 1.4 Context

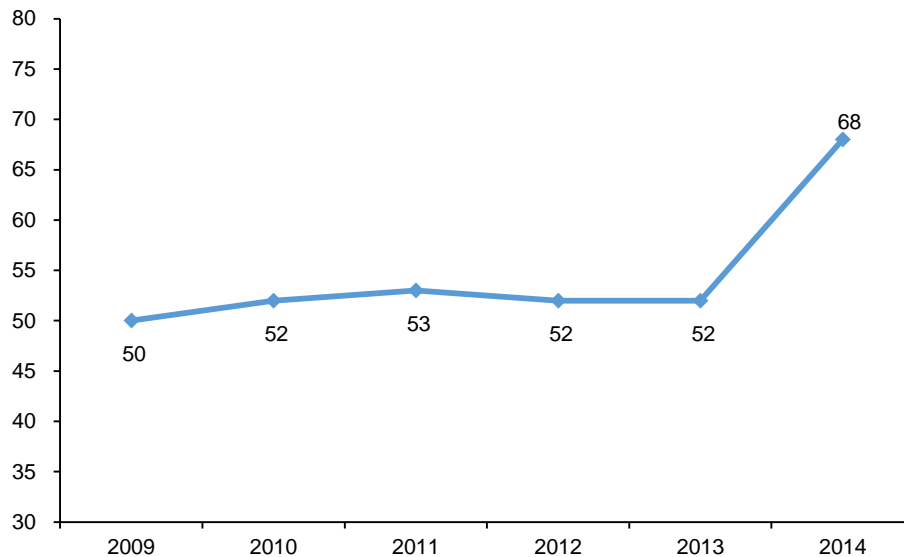
The television production sector in the UK remains highly concentrated in London. In keeping with previous years, a majority of total spend - 52% - was spent within London (however, this has decreased slightly in recent years). Further, almost two-thirds of the UK's TV workforce (62%) is based in London; compared to, for example, 38% of the total creative media workforce. In contrast, just 4% of the total TV workforce is based in Scotland<sup>2</sup>.

There are some positive signs for Scotland, however. Between 2009 and 2015, total spend on first run originated Nations and Regions output by BBC/ITV increased by 35% from £50m to £68m ([Figure 1.1](#)) – significantly higher than in Northern Ireland (5%), England (2%) and Wales (-2%) – although this was from a low base.

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<sup>2</sup> Figures taken from Ofcom Communications Market Report, 2015.

**Figure 1.1: Spend on first-run originated Nations and Regions output in Scotland, 2009 to 2014 (£m)**



Source: Ofcom Communications Market Report, 2015

The latest Ofcom Communications Market Report shows that this figure decreased to £56m in 2015, lower than 2014, but still higher than 2013.

It should be considered, however, that 2014 was the year of the Scottish Independence Referendum, as well as the Commonwealth Games, and it is likely that these two events account for a significant part of this increase. For example, between 2009 and 2014, spending on current affairs programmes in Scotland increased by 61%, compared to 21% at the UK level. Similarly, spend on news output increased by 17% (compared to 6% UK wide). Further, Scotland's share of total spend on original network productions *decreased* by 0.7% in 2014 – from 5.9% to 5.2%; this is in contrast to the total proportion of spending Outside London, which increased for a fourth consecutive year to 48%.

The BBC's Full Financial Statements confirm this. According to the report, total (BBC) investment in Scotland decreased from 2014/15 due to the effect of the additional expenditure on coverage of the Commonwealth Games and the Referendum, but also as a result of the decommissioning of *Waterloo Road* and a reduction in the volume of daytime hours. According to the report, the BBC expects



this to increase again and to meet its target of 8.6% of qualifying network spend from Scotland in 2016<sup>3</sup>.

However, the latest Ofcom data shows that 4.3% of network broadcast spend by all PSBs on original first run productions was directed towards Scotland, a fall of 0.9% on 2014 (5.2%) and 1.6% on 2013 (5.9%). It is also worth noting that the 4.3% of spend accounted for 7.2% of all originated hours, indicating a lower than average cost of production in Scotland relative to most other parts of the UK<sup>4</sup>.

Finally, it is perhaps worth noting that the BBC reports income from the licence fee in Scotland of £320m, and a total investment across all platforms and channels of £176.5m, equivalent to approximately 55% of that income. In Wales, there is a reported total income of £186.5m and a spend of £177.7m, equivalent to 95%<sup>3</sup>. This is greater still when one considers that S4C also received £75m from the licence fee.

Across the sector, there have been changes in recent years which may limit the ability of independent production companies to compete. According to the 2015 Broadcast Indie Survey<sup>5</sup>, 2014 was a year of 'seismic shifts' with the merger of Endemol and Shine meaning that five companies now account for around 45% of total sectoral revenue. This survey also suggests that life as an independent company is increasingly difficult, due to factors such as:

- potential loss of BBC3's commissioning budget;
- related possible changes to indie terms of trade; and
- increased competition for commissions and slots.

The Broadcast Indie Survey also suggests that production is becoming more challenging, and that companies are working harder than before for the same amount of turnover. This is also apparent in the survey we have undertaken this year – companies are undertaking more commissions than in previous years, but the average value of each commission has decreased (by 5% - see **Table 2.21**).

A recent PACT report (2015)<sup>6</sup> states that the UK independent production sector has experienced a decline in year-to-year revenue for the first time since 2004 (a decrease of 4% from 2013). This was largely driven by a decrease in primary

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<sup>3</sup> BBC Full Financial Statements 2015/16

<sup>4</sup> Ofcom Communications Market Report 2016

<sup>5</sup> Available [online](#).

<sup>6</sup> PACT Independent Production Sector Financial Census and Survey, 2015.

commissions and international revenues. That said, between 2009 and 2014, smaller and mid-sized independent production companies (with a turnover of less than £10m) have continued to increase their share of external commissions – particularly from increased proportions of BBC, Channel 5 and multichannel spend.

In Scotland, total investment in original productions has grown by 9% per year since 2009 (although from a low base), and it is suggested that Scotland now has a strong base of producers able to compete nationally and internationally across a number of genres. However, the country continues to host a number of smaller companies who remain dependent on local commissions, and lack the ability to invest in business development<sup>7</sup>. PACT suggests that the Scottish production sector can be categorised as follows:

- in-house arms of the BBC and STV;
- large independents – many of whom are subsidiaries of larger groups;
- medium independents – some are part of larger groups, some remain standalone; and
- small independents – typically small scale and highly dependent on local commissions from BBC Scotland and MG Alba.

The report suggests that an optimal Scottish sector would require the development of scale production companies able to invest in and employ the next generation to help bolster the sustainability of the sector. It also outlines a number of challenges facing Scottish production companies:

- local market is too narrow, often focusing on niche local cultural interests, which limits transfer from local to network;
- local players are sub-scale lacking resources and relationships with commissioners;
- companies are insufficiently diverse in terms of genre – specifically scripted or drama, with an over-reliance on specialist factual and current affairs – again, this is a finding of the survey we undertook for this study; and
- lack of investment in business development, and insufficient senior talent – notably executives and series producers.

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<sup>7</sup> PACT, A New Model: Building a Sustainable Independent Production Sector in Scotland, 2015.

## 2. Quantitative Findings

### 2.1 Introduction

This Chapter provides a quantitative analysis of both the independent production sector (based on the sample that responded) and the broadcasters, before providing an overall picture. Where appropriate, comparison with the previous study undertaken by EKOS in 2012 is provided.

Following the approach used in previous studies, the study collected data from the Scottish broadcasters and some of the larger independent production companies. From a sample of 41 independent production companies, a total of 15 telephone interviews were undertaken – this represents a completion rate of 37%.

### 2.2 Independent Production Sector Profile

This section provides an overview of the performance sector (based on the 15 responses we received to this survey), and covers:

- company ownership;
- employment;
- financial indicators:
  - turnover
  - profit; and
- commissions (split by network and genre).

#### 2.2.1 Ownership

The majority of companies (nine, 60%) are Scottish owned, with three companies each (20%) being UK owned or internationally owned. Two-thirds of companies (ten) surveyed are owner-managed.

## 2.2.2 Employment

Companies provided data on both permanent and temporary freelance employment. The 15 companies surveyed<sup>8</sup> employ a total of **160.5 FTEs**<sup>9</sup> in 2015/16, an increase of 11.5 FTEs on 2014/15 ([Table 2.1](#)).

**Table 2.1: Direct Employment (among those Surveyed) – 2014/15 and 2015/16**

Year	Full time	Part time	Total FT and PT	Total FTE
2014/15	135	28	163	149
2015/16	144	33	177	160.5

In 2015/16, freelance staff were **employed for a total of 9,806 weeks** (c. 817 months). The majority of freelancers – 95% - are production staff.

Some companies were only able to provide totals and were unable to split freelance staff by category or pay band – available data by employment category, and split by pay band, is provided in [Table 2.2](#).

**Table 2.2: Freelance Employment (in the Independents Surveyed) – 2015/16, no. of freelance weeks contracted**

	<£500 p/w	£500 to £1,000 p/w	£1,000 to £1,500 p/w	>£1,500 p/w	Total
Production	1,066	2,765	2,883	1,032	7,745
Development	14	153	28	82	277
Support	66	54	0	0	120
<b>Total</b>	<b>1,146</b>	<b>2,972</b>	<b>2,911</b>	<b>1,114</b>	<b>8,142</b>

N.B. As stated above, one company was only able to provide total freelance figures, rather than by banding, as such, the total presented in the table is lower than the actual total (9,806 weeks).

The number of freelance staff employed by independent production companies equates to **217.9 Person Year Equivalent (PYE)**<sup>10</sup>. This represents a decrease of 24% (-56.9 PYEs) on 2014/15. A split of freelance PYEs by role and salary band is presented in [Table 2.3](#).

<sup>8</sup> One company did not provide data on freelance employment

<sup>9</sup> Based on PT employees equalling 0.5 FTEs.

<sup>10</sup> PYEs – freelance jobs are based on Person Year Equivalent (PYE). This method allows the total number of freelance staff over the year to be estimated as a proportion of an annual equivalent post, based on an annual working year of 45 weeks.

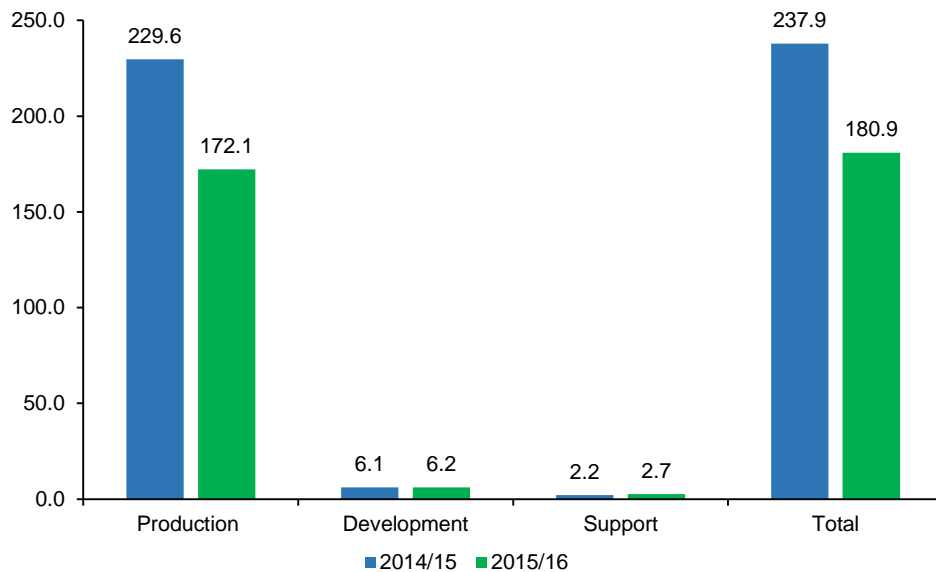
**Table 2.3: Freelance Employment (in the Independents Surveyed) – 2015/16, Person Year Equivalent (PYE)**

	<£500 p/w	£500 to £1,000 p/w	£1,000 to £1,500 p/w	>£1,500 p/w	Total
Production	23.7	61.4	64.1	22.9	172.1
Development	0.3	3.4	0.6	1.8	6.2
Support	1.5	1.2	0.0	0.0	2.7
<b>Total</b>	<b>25.5</b>	<b>66.0</b>	<b>64.7</b>	<b>24.8</b>	<b>180.9</b>

N.B. As with Table 2.2, this split is based on those companies who provided the data split by these categories, and so is lower than the actual total (217.9 PYEs).

As shown in [Figure 2.1](#), total freelance employment decreased by 24% (-56.9 PYEs) between 2014/15 and 2015/16. This overall decrease can be attributed to a decrease in production staff (-25%, -57.5 PYEs), with modest value increases in both support and development staff (0.5 and 0.04 PYEs, respectively).

**Figure 2.1: Distribution of freelance employment, 2014/15 and 2015/16**



Accounting for both permanent and freelance staff, it is estimated that the 15 companies surveyed account for 378.4 FTEs/PYEs in 2015/16 ([Table 2.4](#)). This equates to an average of 25.2 employees per company (however, this reduces to 10.7 when considering only permanent employment).

**Table 2.4: Total Employment (in the Independents Surveyed) – 2015/16**

Average per Company				
Direct Permanent	Freelance	Total	Permanent Only	Permanent + Freelance
160.5	217.9	378.4	10.7	25.2

Permanent staff based on FTEs and Freelance staff based on PYEs.

## 2.2.3 Financial Indicators

### Turnover

The total turnover of the 15 companies surveyed was £52,538,683, ranging from £56,013 to £12,000,000. The average turnover was £2,301,164 (excluding two outlying values of over £10 million).

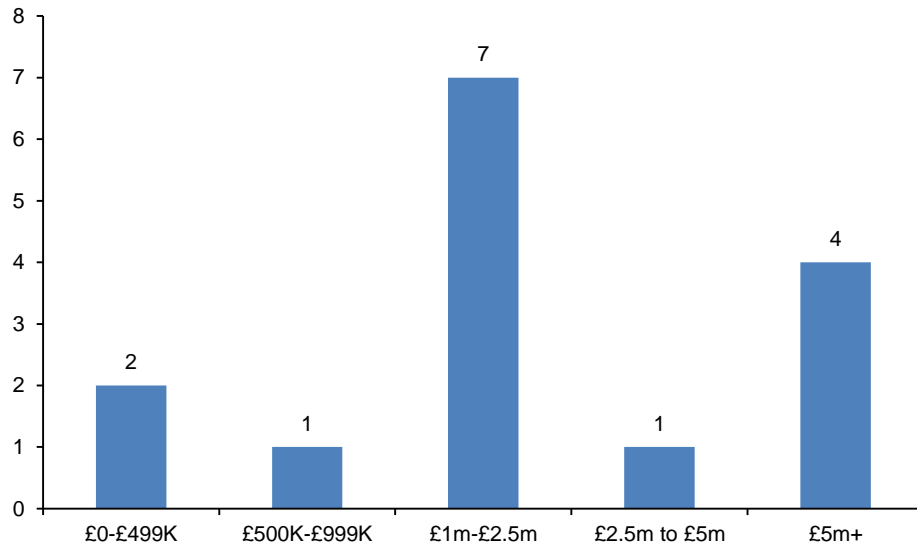
The total turnover of surveyed companies decreased between 2014/15 and 2015/16; down 16% from £62,330,894 (c. £9.8m). Eight companies reported decreased turnover over these years, with the remainder reporting increased turnover.

Six of the nine Scottish owned companies had a turnover above £1m, and the average turnover of Scottish companies was £1,332,313<sup>11</sup>. The average turnover of the non-Scottish owned companies in the sample was £5.6m.

**Figure 2.2** provides further detail by turnover banding.

<sup>11</sup> Excluding an outlying value of £8.3m

**Figure 2.2: Turnover Distribution, 2015/16**

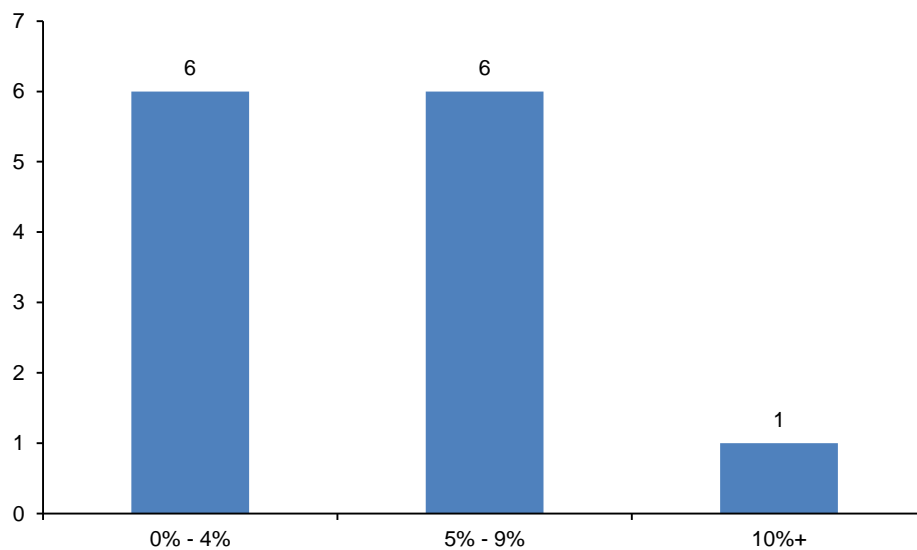


## Profit

Profit rate of companies ranged from 0% to 18% (based on 13 companies who provided data) - the average profit rate was 5%.

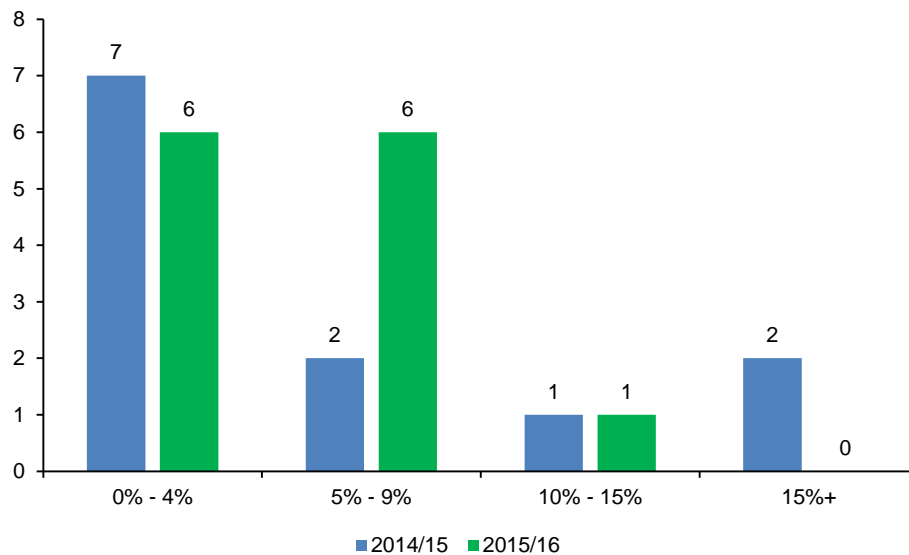
**Figure 2.3** provides further details – only one company had a profit rate of over 10% in 2015/16.

**Figure 2.3: Net Profit Distribution, 2015/16**



The average profit rate in 2015/16 was the same as in 2014/15; however, the range in that year was from -2% to 21%. **Figure 2.4** compares net profit distribution in each year.

**Figure 2.4: Net Profit Distribution, 2014/15 and 2015/16**

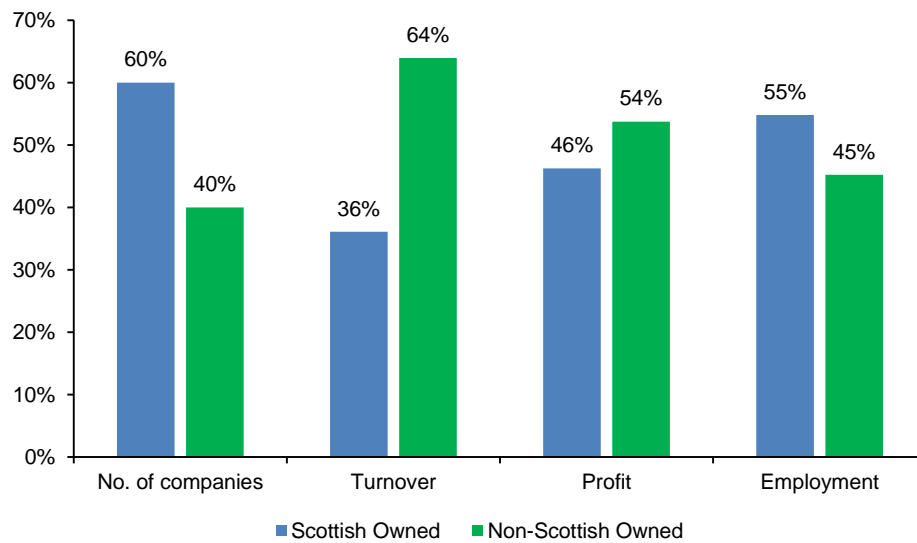


As shown in **Figure 2.5**, non-Scottish companies continue to be important for the sector in Scotland. Despite comprising 40% of companies interviewed, these companies account for:

- 64% of turnover;
- 54% of profit; and
- 45% of employment.



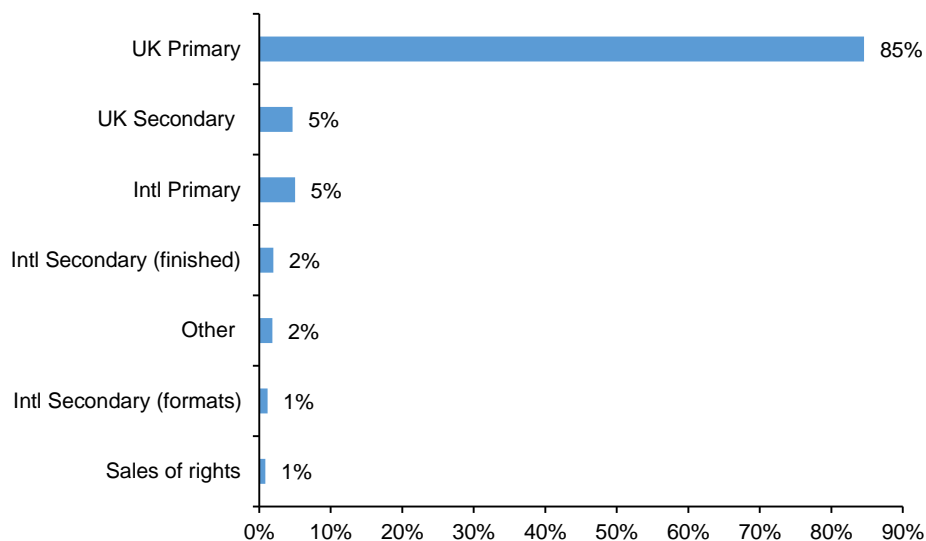
Figure 2.5: Split of Employment, Turnover and Profit by Ownership, 2015/16



## Revenue

UK primary TV comprises the majority of revenue for companies, accounting for 85% of total revenue in 2015/16 (the same as in 2014/15). Both UK secondary rights and international primary rights account for 5% (Figure 2.6)<sup>12</sup>.

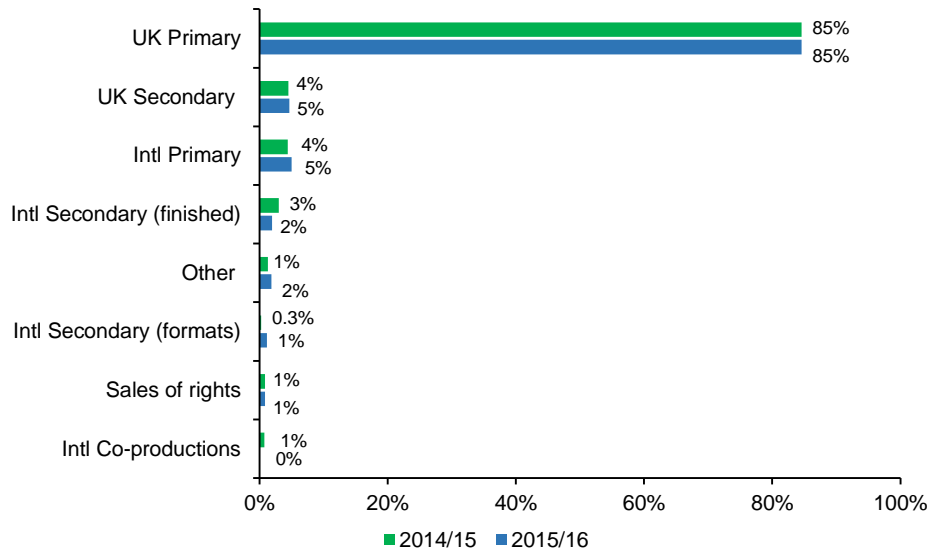
Figure 2.6: Sources of Revenue, 2015/16



<sup>12</sup> Most of the international sales were reported by Scottish owned companies, but it should be noted that secondary and international sales by non-Scottish owned companies may not be reported in the accounts of the Scottish offices as these are typically corporate HQ functions.

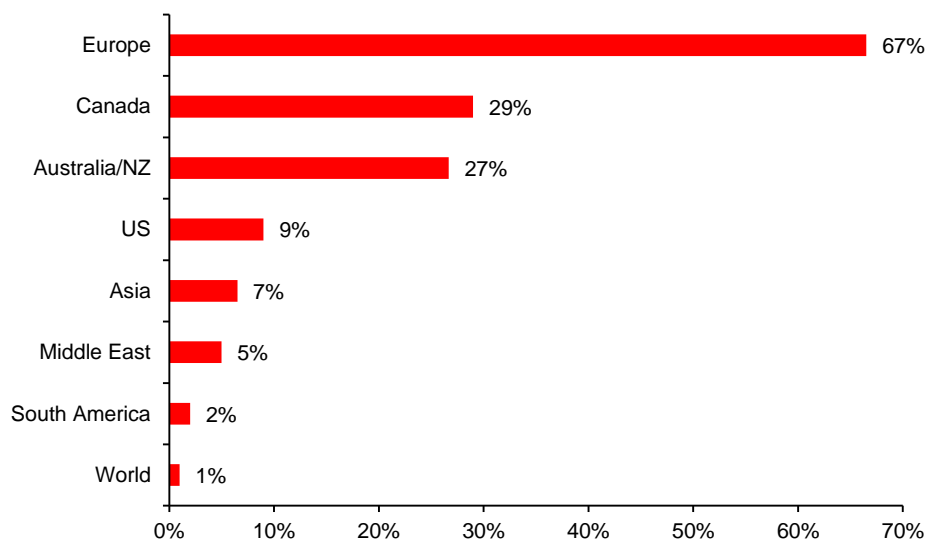
Overall, there was little change in the sources of revenue between 2014/15 and 2015/16 – **Figure 2.7** provides a full split for each year.

**Figure 2.7: Sources of Revenue, 2014/15 and 2015/16**



Of those with international sales, only five companies provided data relating to the geographic split of these sales – the average split by region is presented in **Figure 2.8**, with Europe being the largest international market, accounting for 67% of international sales.

**Figure 2.8: Average split of international sales**



## 2.2.4 Commissions

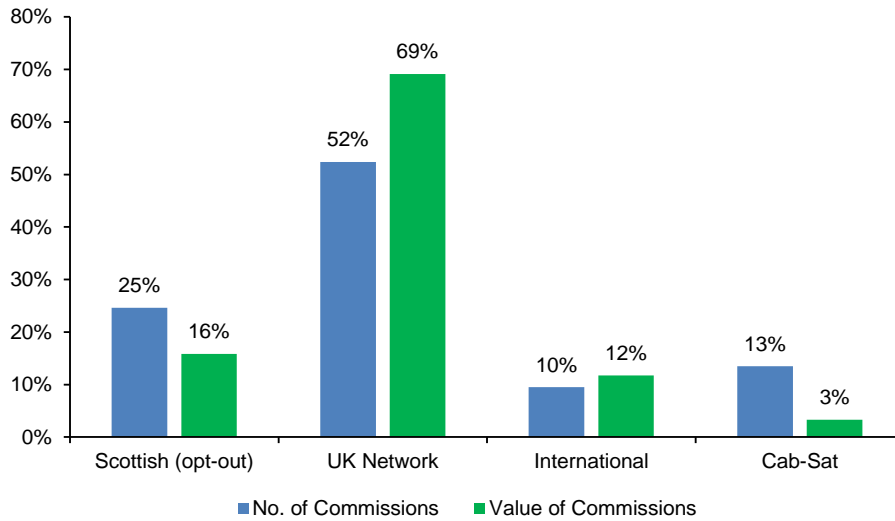
Each company provided details of their commissions over the past two years. For 2015/16, key points to note include:

- the 15 companies secured a total of 119 commissions in 2015/16 (compared to 97 in 2014/15);
- the total value of these commissions was £46.2m in 2015/16 (just under the £47.7m of commissions in 2014/15 (N.B. one company provided totals only by genre and not by individual commission, whilst one company did not provide any data relating to the value of their commissions);
- the average commission value in 2015/16 was £462,712 (again, just lower than the 2014/15 average of £466,449);
- the total length of time of the 117 commission for which data was provided was 34,957 minutes (c. 583 hours), with an average commission length of 299 minutes (c. 5 hours). The average length of commissions in 2014/15 was 319 minutes (c. 5.3 hours).

### Network

Over half of all commissions in 2015/16 (52%) were for UK network, and these accounted for 69% of the total value of commissions. One-quarter of commissions were for Scottish networks, followed by cable-satellite and international networks. (Figure 2.9). Cable-satellite commissions accounted for a comparatively small share of total commission value, although this may reflect, at least in part, the reporting practice of UK owned companies, which may deal with cable-satellite commissions in London (or elsewhere).

Figure 2.9: No. and value of commissions by network – 2015/16



The number of commissions for cable-satellite networks has increased since 2014/15, with decreases in each of the other three network types (Figure 2.10).

Figure 2.10: No. of commissions by network, 2014/15 and 2015/16

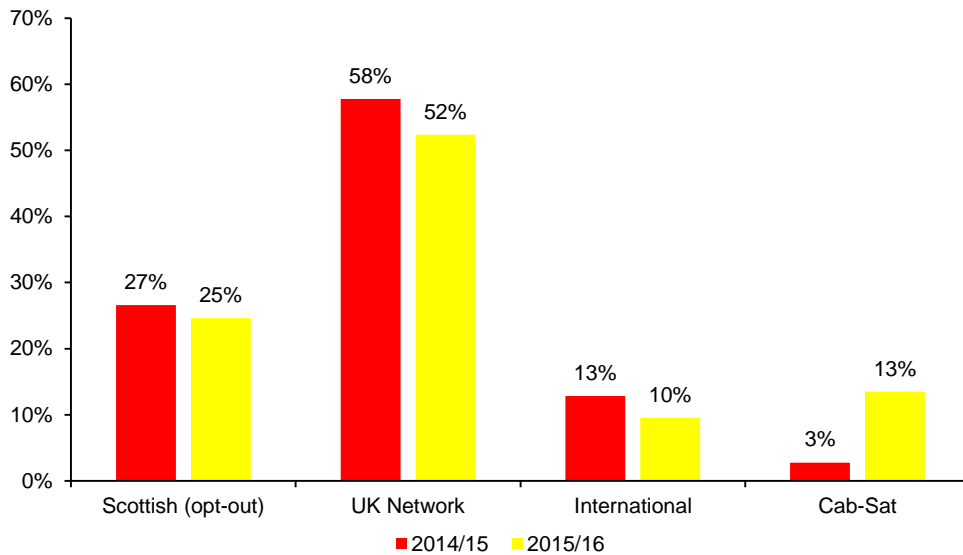


Table 2.5 sets out the value of commission by network, with UK network commissions comprising the majority of total commission value (69%). The average value of UK network commissions is also the highest, ahead of international commissions and more than double the average value of Scottish opt-out commissions.

**Table 2.5: Commissions value by network (by the Independents Surveyed) – 2011/12**

	No of Commissions	Value of Commissions (£)	Average Value Commission (£)
Scottish (opt-out)	31	5,564,438	179,498
UK	66	24,316,638	368,434
International	12	4,134,239	344,520
Cab-Sat	17	1,150,803	67,694
<b>Total</b>	<b>119</b>	<b>£35,166,118</b>	<b>279,096</b>

N.B. One company did not provide data relating to the values of commissions by network and so are not included in the table above; thus the total presented in the table is lower than the total value of commissions presented earlier (£46.2m).

As shown in [Table 2.6](#), the average value of both Scottish and UK network commissions has decreased between 2014/15 and 2015/16, whilst there has been a modest increase in average international commission value.

**Table 2.6: Change in value of commissions by network, 2014/15 and 2015/16**

	Scottish (opt-out)	UK	International	Cab-Sat
2014/15	194,189	406,215	335,251	0
2015/16	179,498	368,434	344,520	67,694
Value Change	-14,691	-37,781	9,269	67,694
% Change	-8%	-9%	3%	-

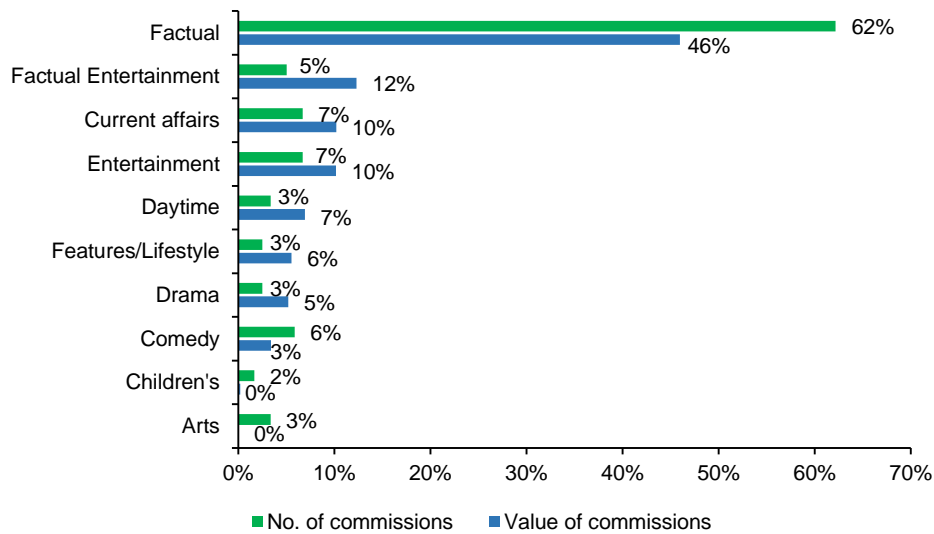
N.B. The company who received cab-sat commissions in 2014/15 did not provide values of these commissions, hence the £0 value.

## Genres

Almost two-thirds of all commissions in 2015/16 were in factual programming (62%), followed by 7% each in current affairs and entertainment – see [Figure 2.11](#). Despite this, only 46% of the value of commissions were for factual programmes, with 12% for factual entertainment, and a further 10% each for current affairs and entertainment.

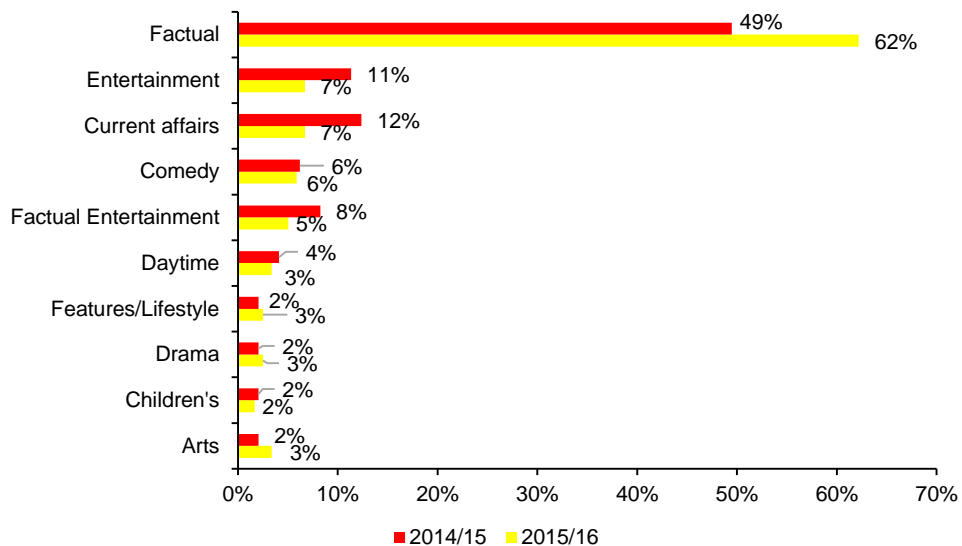
Again, this analysis should be treated with a degree of caution. For example, at least two of the companies that did not take part are active in entertainment and daytime rather than factual production.

**Figure 2.11: Share of no. and value of commissions by genre, 2015/16**



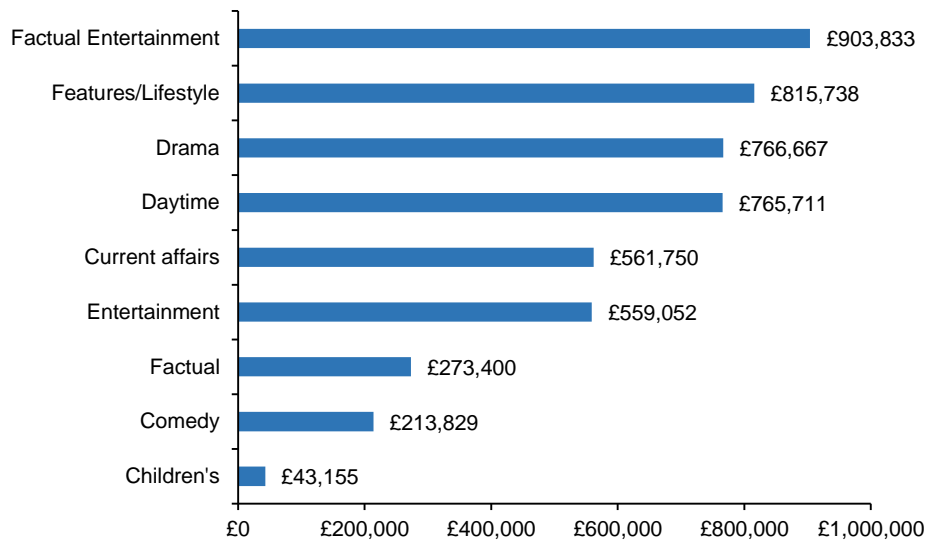
As shown in **Figure 2.12**, the overall share of factual commissions increased between 2014/15 and 2015/16, from 49% to 62%. This was countered by decreases in the share of entertainment, current affairs, and factual entertainment commissions.

**Figure 2.12: Average share of commissions by genre, 2014/15 and 2015/16**



Factual entertainment was the genre with the highest average commission value (£903,833), followed by features/lifestyles commissions (£815,738 – **Figure 2.13**).

**Figure 2.13: Average value of commission by genre, 2015/16**



**Table 2.7** sets out the number of commissions as well as the value and average value by genre – again, the total and overall value share of factual commissions is apparent.

**Table 2.7: Commissions value by genre (by the independents surveyed) – 2011/12**

	No of Commissions	Value of Commissions (£)	Average Value Commission (£)
Arts	4	-	-
Children's	2	£86,310	£43,155
Comedy	7	£1,496,803	£213,829
Current affairs	8	£4,494,000	£561,750
Daytime	4	£3,062,844	£765,711
Drama	3	£2,300,000	£766,667
Entertainment	8	£4,472,416	£559,052
Factual	74	£20,231,578	£273,400
Factual Entertainment	6	£5,423,000	£903,833
Features/Lifestyle	3	£2,447,213	£815,738
<b>Total</b>	<b>119</b>	<b>£44,014,164</b>	<b>£369,867</b>

N.B. No values were provided relating to arts commissions. One company provided only partial data relating to the values of commissions by genre and so full data cannot be included thus the total presented in the table is lower than the total value of commissions presented earlier (£46.2m).

## Non-Broadcast Media

Five companies indicated that they have secured new media and non-broadcast commissions in 2015/16 – these companies delivered a total of 13 new media commissions, at a total value of £531,991<sup>13</sup>, and with an average value of £21,311<sup>14</sup>.

The types of new media commissioned for were:

- corporate video – four;
- education DVD – four;
- online productions – three;
- consultancy work – one; and
- promotional video – one.

## Post-Production

Of the 15 companies surveyed, five carry out all of their post-production activity in Scotland, whilst the remainder carry out between 50% and 100% of their activity here.

Of the 10 who do not carry out all post-production in Scotland, five identified that presenters or voiceover staff are often based elsewhere (e.g. London) and so undertake some activity there. One company suggested that there is a limited availability of affordable, high quality post-production companies in Scotland, and when these companies are unavailable, they have to access services in England.

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<sup>13</sup> This does not include one commission for which the value is still to be confirmed.

<sup>14</sup> Excluding two outlying values – one of £500, and one of £318,386.



## 2.3 Broadcaster Survey

This section presents analysis of the data provided by the three main broadcasters – BBC, MG ALBA, and STV - regarding their in-house production activity. The total number of staff employed by these broadcasters in 2015/16 was 1,017 people – this equates to **941.5 FTEs** (Table 2.8).

**Table 2.8: Broadcaster employment related to production activities – 2015/16**

Full-time	Part-time	Total	FTEs
866	151	1,017	941.5

In addition, broadcasters employ an additional 265 support staff, equating to **239 FTEs**.

As shown in Table 2.9, the number of FTEs employed by Scottish broadcasters decreased by 3%, driven by a reduction in full-time staff.

**Table 2.9: Change in broadcaster employment related to production activities – 2014/15 and 2015/16**

	Full-time	Part-time	Total	FTEs
2014/15	901	137	1,038	969.5
2015/16	866	151	1,017	941.5
Value Change	-35	14	-21	-28
% Change	-4%	10%	-2%	-3%

In 2015/16 broadcasters contracted a total of **140 freelance weeks** – a decrease of 31 weeks (18%) on 2014/15 (Table 2.10).

**Table 2.10: Broadcaster freelance weeks related to production activity – 2015/16**

	Up to £500 p/w	£500 - £1,000 p/w	£1,000 - £1,500 p/w	>£1,500 p/w	Total
2014/15	0	157	12	2	171
2015/16	0	119	15	6	140
Value Change	0	-38	3	4	-31
% Change	-	-24%	25%	200%	-18%

N.B. Only two broadcasters provided freelance data. Further, one broadcaster indicates they use 'ad hoc' staff rather than freelance staff.

These 140 freelance weeks equates to **3.1 PYEs** – a decrease of 0.7 on the previous year.

### 2.3.1 Value of In-House Broadcaster TV Production

Of the three broadcasters, only BBC Scotland has in-house production activity in Scotland (the production activity of STV Productions is included in the production company data, even though they are not a qualifying indie). The total value of BBC Scotland in-house production in 2015/16 was **£64.9m**, split 70% on regional and 30% on network productions (**Table 2.11**). The majority of total value (84%) was in TV production, with 16% in the production of new media.

**Table 2.11: Value of BBC Scotland In-House Production Activity by Network – 2015/16 (£)**

	Regional	Network	Total
TV Production Value	41,800,000	17,900,000	59,700,000
New Media Production Value	3,900,000	1,300,000	5,200,000
<b>Total</b>	<b>45,700,000</b>	<b>19,200,000</b>	<b>64,900,000</b>
Share	70%	30%	100%

The total value of BBC Scotland in-house production activity **decreased by £7.3m** between 2014/15 and 2015/16, driven by a decrease in regional spend of £7.8m – (**Table 2.12**).

**Table 2.12: Change in value of BBC Scotland In-House Production Activity by Network – 2014/15 and 2015/16 (£)**

	Regional	Network	Total
TV Production Value	-7,800,000	+600,000	-7,200,000
New Media Production Value	0	-100,000	-100,000
<b>Total Change</b>	<b>-7,800,000</b>	<b>+500,000</b>	<b>-7,300,000</b>

## Genres

Over one-quarter of total BBC Scotland value was in news and current affairs productions (£15.3m, 26%), followed by drama and factual (16% each). [Table 2.13](#) provides a full breakdown of total commission value by genre.

**Table 2.13: BBC Scotland Commissions Value by Genre – 2015/16 (£)**

	Region	Network	Total	%
News & Current Affairs	15,000,000	300,000	15,300,000	26%
Drama	9,700,000	0	9,700,000	16%
Factual	3,400,000	6,000,000	9,400,000	16%
Music & Arts	2,200,000	3,500,000	5,700,000	10%
Children's	0	5,500,000	5,500,000	9%
ALBA	4,500,000	0	4,500,000	8%
Sport	4,000,000	0	4,000,000	7%
Comedy & Entertainment	1,500,000	2,000,000	3,500,000	6%
Learning	800,000	100,000	900,000	2%
Other (Repeats)	600,000	0	600,000	1%
Daytime	0	500,000	500,000	1%
<b>Total</b>	<b>41,800,000</b>	<b>17,900,000</b>	<b>59,700,000</b>	<b>100%</b>

N.B. Some totals may not sum due to rounding.

Between 2014/15 and 2015/16, there were significant decreases in the value of production activity in sport (-£3.5m); news and current affairs (-£3.1m) (possibly reflecting greater activity in 2014 as a result of the Independence Referendum and the Commonwealth Games); and comedy and entertainment (-£1.8m). Conversely, there were notable increases in the value of drama (£1.6m) and factual (£1.4m) productions – [Table 2.14](#) provides further details.

**Table 2.14: Change in BBC Scotland Commissions Value by Genre (£) – 2014/15 and 2015/16**

	<b>2014/15 total</b>	<b>2015/16 total</b>	<b>Value Change</b>	<b>% change</b>
News & Current Affairs	18,400,000	15,300,000	-3,100,000	-17%
Drama	8,100,000	9,700,000	1,600,000	20%
Factual	8,000,000	9,400,000	1,400,000	18%
Music & Arts	6,300,000	5,700,000	-600,000	-10%
Children's	5,800,000	5,500,000	-300,000	-5%
ALBA	5,000,000	4,500,000	-500,000	-10%
Sport	7,500,000	4,000,000	-3,500,000	-47%
Comedy & Entertainment	5,300,000	3,500,000	-1,800,000	-34%
Learning	800,000	900,000	100,000	13%
Other (Repeats)	700,000	600,000	-100,000	-14%
Daytime	1,000,000	500,000	-500,000	-50%
<b>Total</b>	<b>66,900,000</b>	<b>59,700,000</b>	<b>-7,200,000</b>	<b>-11%</b>

N.B. Some totals may not sum due to rounding. Annual Totals are combined totals of regional and network value.

## 2.4 Overall Value

Overall, television production activity in Scotland (independents and broadcasters) in 2015/16 was estimated to account for **1,323 FTEs** (inclusive of both permanent and freelance staff) and with a total estimated value of **£94.9m<sup>15</sup>**. The majority of this comes from broadcasters – 71% of employment and 63% of value.

**Table 2.15: Employment in the Production Sector in Scotland (FTEs) – 2015/16**

	<b>Permanent</b>	<b>Freelance</b>	<b>Total</b>
Independent	160.5	217.9	378.4
Broadcasters	941.5	3.1	944.6
<b>Total</b>	<b>1,102</b>	<b>221</b>	<b>1,323</b>

<sup>15</sup> It should be noted that this value is only based on the data provided by companies in our sample, and it is likely that the total value of the TV production sector will be higher.

**Table 2.16: Value of the Production Sector in Scotland by Network – 2015/16 (£)**

	Regional	Network	Other Network	Total
Independent Sector	5,564,438	24,316,638	5,285,042	35,116,118
Broadcasters	41,800,000	17,900,000	-	59,700,000
<b>Total</b>	<b>47,364,438</b>	<b>42,216,638</b>	<b>5,285,042</b>	<b>94,866,118</b>

N.B. Based on TV production value only

## 2.5 Comparison with Previous Studies

This section provides comparison of independent companies who responded to the survey this year (providing data for 2014/15 and 2015/16) and in 2012 – a total of seven companies participated in both 2012 and in 2016.

### 2.5.1 Employment

Since 2012, there has been a reduction of 16% in total FTEs employed by companies, with full-time employment decreasing by one-fifth ([Table 2.17](#)). Whilst there has been a decrease since 2012, total FTE employment has increased by 5% since 2014/15.

**Table 2.17: Employment Comparison in the Independent Sector, 2012 to 2016**

	2012	2014/15	2015/16	Change 2012 - 2016	
				Number	%
Full-time	114	89	91	-23	-20%
Part-time	16	18	23	7	44%
Total FT and PT	130	107	114	-16	-12%
<b>Total FTEs</b>	<b>122</b>	<b>98</b>	<b>102.5</b>	<b>-19.5</b>	<b>-16%</b>

Similarly, total freelance employment (measured in PYEs) decreased over the period, by 15% (-19.3 PYEs) since 2012. This equates to a reduction of some 217 freelance months ([Table 2.18](#)). However; as with permanent employment, there was an increase of 5% in the number of freelance staff employed between 2014/15 and 2015/16.

**Table 2.18: Freelance Employment Comparison in the Independent Sector, 2012 to 2016**

	2012	2014/15	2015/16	Change 2012 - 2016	
				Number	%
Total Months of Employment	1,433	1,161	1,216	-217	-15%
Person Year Equivalents	127.4	103.2	108.1	-19.3	-15%

In 2016, the seven companies accounted for a total of 211 FTEs, compared to 249 in 2012 – this represents a decrease of 16% over the period ([Table 2.19](#)). The average FTEs per company has also decreased since 2012 (by 16%); however, both total FTE employment and average employment has increased since 2014/15.

**Table 2.19: Total FTE Employment in the Independent Sector, 2012 to 2016**

	2012	2014/15	2015/16	Change 2012 - 2016	
				Number	%
Permanent	122	98	103	-19	-16%
Freelance	127	103	108	-19	-15%
<b>Total FTEs</b>	<b>249</b>	<b>201</b>	<b>211</b>	<b>-38</b>	<b>-16%</b>
<b>Average Per Company</b>					
Permanent Only	17	14	15	-2	-16%
Permanent + Freelance	36	29	30	-6	-16%

## 2.5.2 Financial Indicators

### Turnover

Since 2012, total turnover among the seven companies has decreased by 9% (c. £2.6m) to £27m in 2015/16. Average turnover also decreased by 9% over this period, to £4.5m per company ([Table 2.20](#)).

It should be noted that these turnover figures are skewed by one large company which accounts for a significant share of total turnover in each year.

**Table 2.20: Changes in turnover, 2012 to 2015/16 (£)**

	2012	2014/15	2015/16	Change 2012 - 2016	
				Number	%
Total Turnover	29,589,590	27,481,000	27,002,000	-2,587,590	-9%
Average	4,931,598	4,580,167	4,500,333	-431,265	-9%

N.B. This is based on turnover for only six of the seven companies – one company did not provide turnover data in 2012.

### 2.5.3 Commissions

Since 2012, the total value of commissions of the seven companies has increased by 2% to £27.1m. There has also been a significant increase in the number of productions commissioned (94%); however, despite this increase, the average value per commission has actually decreased since 2012 ([Table 2.21](#)).

**Table 2.21: Commissions Value, 2012 to 2015/16 (£)**

	2012	2014/15	2015/16	Change 2012 - 2016	
				Number	%
No. of Commissions	34	49	66	32	94%
Value of Commissions	26,496,589	25,519,094	27,125,958	629,369	2%
Average value of Commissions	444,710	391,423	422,656	-22,054	-5%

N.B. in 2012, one company did not provide information on the number of commissions, providing only a total value instead. As such, the number of commissions is likely to have been higher in that year. Further, across all years, one company did not provide values by individual commission. The average values have been derived only from companies who provided full data, and so do not match what would be the averages calculated using the values in the table above.

As in previous years, factual programmes accounted for the majority of commissions in 2015/16 (62%) and this has increased by 3% points since 2012 ([Table 2.22](#)).

There has been a notable decrease in the number of factual entertainment programmes since 2012 – no programmes in this genre were commissioned in either 2014/15 or 2015/16; however, it is possible that this is a result of a change in how companies have classified their commissions over the years.

**Table 2.22: Changes in genre, 2012 to 2015/16**

	2012	%	2014/15	%	2015/16	%	% Point Change
Factual	20	59%	27	55%	41	62%	3%
Comedy	5	15%	6	12%	7	11%	-4%
Entertainment	2	6%	3	6%	6	9%	3%
Current affairs	-	-	6	12%	5	8%	8%
Daytime	-	-	4	8%	4	6%	6%
Features/Lifestyle	-	-	2	4%	3	5%	5%
Factual Entertainment	6	18%	-	-	-	-	-18%
Music	1	3%	1	2%	-	-	-3%
<b>Total</b>	<b>34</b>	<b>100%</b>	<b>49</b>	<b>100%</b>	<b>66</b>	<b>100%</b>	<b>-</b>



## 2.6 Summary

**Table 2.23** presents a summary of the quantitative data from the current survey (including 2014/15 and 2015/16) and compares with the previous survey from 2011/12

**Table 2.23: Summary**

	2011/12	2014/15	2015/16	Comparison
<b>Ownership</b>	Of the 19, 14 (74%) are Scottish owned with the remaining five (26%) being UK or internationally owned. The majority (17, 90%) are owner managed. respondents.	No survey undertaken in 2014/15 – did not ask for this information in 2015/16	Three-fifths of the companies (nine, 60%) are Scottish owned, with a further 20% each being UK or internationally owned. The majority (10, 67%) are owner managed companies	Whilst the majority of companies remain Scottish owned, the proportion has decreased since 2011/12.  Similarly, fewer companies are owner managed.
<b>Employment</b>	The 19 companies employed 518 FTEs (incl. freelancers). This equates to an average of 27.3 employees per company (reducing to 10.9 when considering only permanent employees).	Companies employed a total of 422 FTEs (incl. freelancers), averaging 28.1 per company (reducing to 9.9 when considering only permanent employees).	The 15 companies employed a total of 378 FTEs (incl. freelancers). This averages 25.2 employees per company, or 10.7 permanent employees).	Total employment has decreased by 27% since 2012, with much of this decrease coming between 2012 and 2014/15. Average employment per company has reduced slightly since 2012, however, there was an increase of 8% between 2014/15 and 2015/16.
<b>Turnover</b>	16 companies provided turnover data, totalling £51.8m and averaging £3.2m per company. 50% had turnover of less than £1m	Total turnover of the 15 companies was £62.3m this year, averaging £4.2m. Five companies (33%) had turnover of less than £1m	Total turnover was £52.5m, averaging at £3.5m. Eight companies (53%) reported a decrease on the preceding year), however, just three had turnover of less than £1m.	Total turnover has increased by 1% (£700k) since 2012, despite decreasing by c.£10m between 2014/15 and 2015/16. The number of companies with turnover less than £1m has decreased each year.

<b>Profit</b>	The profit rate ranged from zero to 60% (based on the 13 companies that provided data). The average profit rate was around 13%, with 62% securing profits of 10% or less.	Of 13 companies who provided data, profit ranged from -2% to 21%, averaging at 5.5%. 69% of companies reported a profit of 10% or less.	Profit rate ranged from 0% to 18% (based on 13 companies who provided data), with an average of 5.5%. Only one company (8%) reported a profit of over 10%.	The highest profit rate reported has decreased significantly over the years – from 60% in 2012 to 18% in the current year. Further, 92% of companies had a profit of 10% or less in 2015/16, compared to 62% in 2012.
<b>Revenue Sources</b>	Primary rights accounted for 70% of total revenue, new media for 7%, and secondary rights for 4%.	Total primary rights (UK and int'l) account for 89% of revenue, with total secondary rights accounting for a further 8%.	Total primary rights account for 90% of total revenue, with secondary rights accounting for a further 8%.	Primary rights continue to generate the majority of revenue, increasing from 70% to 90% since 2012.
<b>Commissions</b>	Based on 15 companies who provided data, there was a total of 58 commissions: <ul style="list-style-type: none"> <li>the value of TV commissions was £43.9m, averaging £593,715 per commission</li> <li>the average income from commissions per company was £2.9m</li> <li>the average number of commissions per company was 3.4.</li> <li>the average total length of time</li> </ul>	Based on 15 companies, there was a total of 97 commissions: <ul style="list-style-type: none"> <li>the total value of commissions was £47.7m, averaging £466,449 per commission</li> <li>the average income from commissions per company was £3m</li> <li>the average number of commissions per company was 7.5</li> <li>the average total length of time per commission</li> </ul>	Based on 15 companies, there was a total of 119 commissions this year: <ul style="list-style-type: none"> <li>the total value of commissions was £46.2m, averaging £462,712 per commission</li> <li>the average commission income per company was £2.7m</li> <li>the average number of commissions per company was 7.9</li> <li>the average total length of time per commission was 298 minutes</li> </ul>	The total number of commissions has risen in each year, increasing by 105% since 2012. The average number of commissions per company has risen from 3.4 to 7.9.  Whilst there has been an increase in total value of commissions since 2012 (by £2.3m), the average value per commission has decreased by some £130,000 since 2012.

	per commission was 345 minutes	was 319 minutes.		
<b>Broadcasters</b>	<p>Total employment is estimated at 1,211 FTEs (1,042 permanent and 169 freelance).</p> <p>The total value of in-house broadcaster production is £75.2m (split 50% local, 41% network and 9% other).</p>	<p>Total production employment is estimated at 973 FTEs (970 permanent and 3 freelance PYEs).</p> <p>Total value of BBC in-house TV production was £66.9m (74% regional and 26% network)</p>	<p>Total employment in this year was 945 FTEs (942 permanent and 3 PYEs)</p> <p>Total value of BBC in-house production was £59.7m (70% regional and 30% network)</p>	<p>Total employment in production activity has decreased by 22% (266 FTEs) since 2012. For both 2014/15 and 2015/16, only two broadcasters provided freelance employment data, and so total employment is likely to be higher.</p> <p>Total in-house production value has also decreased, by 21% c. £15m. This is, however, based only on BBC data from 2014 onwards – for 2012, all three broadcasters provided data.</p>

### 3. Summary

What is immediately striking from the data is how little has changed. While some of the numbers have shifted (and these shifts are mainly downwards), the overall picture is much as it was in the previous survey. Trading conditions remain tough, budgets continue to reduce and the sector is not showing any real signs of growth.

Beneath this, lie some more detailed indicators. Based on the companies that responded, the sector remains over dependent on (often) lower value factual production. While this may in part reflect the make-up of the sample, and masks the fact that BBC Scotland has been commissioning some entertainment and daytime shows in Scotland, it remains a finding that is consistent with previous research.

The study also suggests increasing reliance on primary commissions, although the data likely under represent the extent of secondary and international revenues due to the fact that the non-Scottish owned companies tend to account for these are HQ or group level. Nonetheless, while primary commissions are likely to remain the mainstay of producer incomes across the UK, secondary and international sales are a crucial part of the revenue mix, and do not appear to be well enough established in Scotland.

Revenues amongst the companies that have reported in each survey have reduced and, unsurprisingly, so has employment. The increase in the number of commissions but with decreasing value (a finding that is consistent with the Ofcom data highlighted earlier), indicates that producers are having to do more for less, and are therefore creating less employment.

The sector is also increasingly reliant (in an economic sense) on non-Scottish companies. These are, on average, stronger drivers of income and profits in the production sector than Scottish owned companies, a finding that is even more marked when one considers that at least three UK companies with a presence in Scotland did not take part in the survey.

Budgets are also clearly continuing to decline, and producers are having to do more than ever even to stand still. It is positive that the proportion of production that is network seems to have risen, but there is still room for growth here.

Broadcaster employment in production related activities is relatively stable but the impact of BBC Studios is not yet clear. It is also notable that the value of in-house regional production at BBC Scotland reduced substantially from 2014, although this is likely a reflection of the high level of activity in 2014 in news and current affairs and in sport as a result of the Independence Referendum and Commonwealth Games respectively.

This is certainly a challenging picture, and one that is consistent with other recent studies (such as those for Pact). Scotland's production sector is still struggling to break in to higher value production activity and to generate substantial growth, not least because it is working in an increasingly tight market with real pressure on margins.

## APPENDIX I: Broadcast and Television Working Group

The Group is a forum for discussion that brings together Scotland's television production and broadcast sector with the public sector in order to discuss and debate policy development and implementation for the Scottish TV production/broadcast sector ("**the Sector**").

It seeks to foster and stimulate sustainable and inclusive growth for Scotland's television production companies and to improve the Sector's international reach, reputation and competitiveness; with all the economic, creative and cultural benefits such growth and internationalisation will create.

To this end the Group will:

- work in collaboration to develop a clear financial and business strategy ("**the Strategy for Growth**") which will include (i) a strategy to stimulate growth by volume and value for the Sector and (ii) an internationalisation strategy for the Sector;
- identify new opportunities for, as well as threats to, Scottish television production and broadcasting as they emerge in both domestic and international markets and suggest strategies and approaches that might be employed by the Sector and stakeholders in both the public and private sectors to maximise such opportunities and minimise such threats;
- inform government policy at every level within Scotland and the wider UK of the priorities, objectives, economic outputs and creative and cultural benefits arising from the Sector and advise private and public sector partners how best to attract investment and support that will encourage the continuing, sustainable growth and development of the Sector;
- within the Strategy for Growth, agree, articulate and recommend action (such as research, and other initiatives) on the growth opportunities for the Sector:
  - establishment of an evidential baseline for the economic impact of the Sector;
  - agreement on appropriate bench-marking in order to assess progress in growth of the Sector;
  - commissioning of evidenced analysis of differences between the Scottish domestic market, other UK Nations' markets, the UK market as a whole and other PSB dominated markets such as Denmark and Ireland;
  - commissioning of evidenced analysis of opportunities for growth by genre, territory and media;

- identification of partnership initiatives to catalyse growth such as the hosting of UK-wide and international events, markets and symposiums within Scotland.
- foster industry-wide collaborations and forge connections between the Sector and Scotland’s and the wider UK’s other creative communities;

### Membership of the TV Working Group

Membership\* includes one senior representative from Scottish head-quartered independent production companies, one non-qualifying production companies, a senior executive representing each of the public service broadcasters, representatives of industry focused training and skills development agencies and representatives of public sector support and development agencies engaged with Scotland’s TV sector.

The current chair of the group is Jane Muirhead, Managing Director of independent production company “Raise the Roof” and National Director for Scotland for trade body PACT. Creative Scotland provides administrative support.

\*Current members:

Members	
Production Companies	Public Sector
The Comedy Unit	Creative Scotland
Tern Television	Scottish Enterprise
Raise the Roof	Highlands and Islands Enterprise
Matchlight	
IWC Media	Broadcasters
Hopscotch	BBC Alba
Finestripe	BBC Scotland
Caledonia Television	STV
STV Productions	