

EVALUATION OF GRAMPIAN FILM OFFICE

**Final Report to:
Scottish Enterprise Grampian**

EVALUATION OF GRAMPIAN FILM OFFICE

**A Final Report to:
Scottish Enterprise Grampian**

Quality Checked by:

Bruce McDonald
Associate Director

SQW Limited
economic development consultants

19 Alva Street
EDINBURGH
EH2 4PH

Tel: 0131 225 4007
Fax: 0131 225 4077
Email: abeaver@sqw.co.uk

February 2006

CONTENTS

Section	Page
1 Introduction	1
2 Rationale, objectives and activities	4
3 Activities, outcomes and impacts.....	9
4 Delivery structure and forward look	22
5 Learning and development	31
6 Conclusions and recommendations.....	35

1 Introduction

- 1.1 SQW Ltd was commissioned in September 2005 by Scottish Enterprise (SE) Grampian to undertake an evaluation of the Grampian Film Office (GFO). This study was part of a wider SQW study to evaluate 12 separate projects for the 2005/06 SE Grampian Evaluation Plan.
- 1.2 The two main aims of this evaluation are to assess;
- to what extent has the Film Office been successful in achieving its objectives and
 - is there a more sustainable funding and partnership model for the Grampian Film Office?
- 1.3 More detail on the rationale for establishing the GFO, its objectives, activities and the outcomes it has achieved can be found in Chapters 2 and 3.

Background and origins

- 1.4 The film office was originally established in 2004 after local MSP Richard Lockhead instigated a meeting between the Tourist Board and the Local Authorities to investigate the volume and value of TV and Film productions that were coming into the Grampian region.
- 1.5 Up to this point, if a film company was looking for a location in Scotland, to film a production, they would approach Scottish Screen who would then inform the local tourist board of their interest. Scottish Screen is the central Scottish organisation charged with supporting the Scottish film industry but the organisation does not provide funding for regional film offices and is uncertain whether it will be able to do so in the future. Without a local film office for the Grampian region, Scottish Screen suggested that of the £20-£22m per annum being spent on these productions in Scotland, less than 1% (£20k) of this was being attracted into Grampian. On the back of these discussions the Film Office was launched with the initial drive coming from Aberdeenshire Council and support following six months later from the Aberdeen City Council and Scottish Enterprise Grampian in 2005.

Funding and inputs

- 1.6 Currently the budget for the project is £60,000 a year, with £20,000 coming from Aberdeen City Council under the City Growth Fund, £20,000 from Aberdeenshire Council's Economic Development department and £20,000 from Scottish Enterprise Grampian under the Competitive Place operational plan. The project is managed by Aberdeenshire Council, with the Film Officer, Samantha Foley, based in Aberdeenshire Council's offices. It's funding runs up to 31st March 2006.

Methodology

1.7 Our approach to the evaluation is set out below. The work was split into three main research elements with a final overarching analytical and reporting section:

- **Stage 1 – Inception meeting**
 - A meeting was held with the client to fine tune the methodology and obtain documentation relating to the project.
- **Stage 2 – Desk research**
 - Research was undertaken to establish the rationale of the intervention and how it is delivered.
- **Stage 3 – Primary research**
 - Seventeen telephone interviews were undertaken with a range of key organisations and individuals, including: film production companies (local and non-local); locations that had been used for filming locations in Grampian; local further education colleges that provide film and TV courses; and finally other Film Offices in Scotland. In addition four face to face consultations were carried out. Three with the key stakeholders in the intervention: SE Grampian, Aberdeen City Council, Aberdeenshire Council; and an additional face to face interview with the current Film Commissioner.
- **Stage 4 – Analysis and recommendations**
 - An analysis of the desk research and findings from the consultations was undertaken to establish the extent to which the intervention was successful in achieving its objectives and what the longer-term partnership model for the Film Office should be.

Report structure

1.8 The remainder of the report is structured as follows:

- **Chapter 2** sets out the rationale of the Film Office and describes the interventions objectives and activities in more detail
- **Chapter 3** discusses the process from which enquiries are generated which lead to productions and comments on this in relation to the marketing activity. It also attempts to assess the overall economic impact of the GFO during the period for which SE Grampian has been a funding partner. It draws on the evidence from the consultations with key film/TV industry organisations and individuals to establish the additionality of the GFO

in attracting these productions. It also considers the impacts the GFO has made on skills and learning and competitive place objectives.

- **Chapter 4** draws on the findings from the consultations and desk research and considers the model adopted by the GFO in relation to other film offices to offer some insights into how this might be changed or adjusted to become more sustainable in the future.
- **Chapter 5** sets out issues for learning and development
- **Chapter 6** presents our conclusions and recommendations drawing together the main issues from the previous chapters and includes an appraisal of future options.

2 Rationale, objectives and activities

2.1 This chapter of the report discusses the market failures and rationale for public sector intervention. It also explains the objectives of the GFO and their strategic fit with those of Scottish Enterprise and the Smart, Successful Scotland strategy document. Finally it discusses the activities that the film office has engaged in to deliver against those objectives.

Rationale and market failures

2.2 The Film Office funding was approved as part of the “Creative Development” project which also included “goNORTH” and the “Soma School Aberdeen”. The overall aim of the “Creative Development” project is “to encourage and facilitate the commercialisation of creative talent and in doing so show Aberdeen as a vibrant, creative city”.

2.3 The specific market failures under which this intervention would be justified relate to **information asymmetry** and the **free-rider problem**.

- **Information asymmetry-** Without a local film office in Grampian, location scouts are unable to obtain sufficient information on the potential appropriate sites for filming in the region and so many productions which might have chosen to film in the region instead go elsewhere.
- **The free rider problem-** If local TV and Film firms, the filming locations themselves and other supporting and related industries (e.g. accommodation, transport and retail etc) came together to promote the region for TV and Film productions and undertake the activities of the Grampian Film Office themselves, this could lead to some mutual benefits. However, organisations are unwilling to invest together in this way because of concerns that others will ‘free ride’ by enjoying the benefits of these productions without sharing any of the promotional costs. In addition, it may be some time before the number of productions reaches a sufficient scale to justify the return on investment for these private sector firms and so they may be unwilling to accept that level of risk.

2.4 These market failures are not explicitly stated in the approval paper, but we would consider them to still remain valid. In fact, given the experience of other regional film offices we would contend that the key issue in this market is not the existence of a market failure (which we believe can be assumed). Instead the main issues are whether the benefits of addressing these market failures outweigh the costs of doing so and whether there is a realistic chance of market correction, which would provide Scottish Enterprise (SE) Grampian with an exit strategy.

2.5 The experience from other film offices including the Scottish Highlands and Islands Film Commission and Edinburgh Film Focus, both of whom have only continued to exist with public sector investment for over fifteen years, suggests that these market failures may never correct or will only adjust after a very significant period of investment. This suggests that the proposition is likely to require continuous ongoing support for many years, which has implications in the rationale of Scottish Enterprise Grampian support for this project.

Objectives

2.6 The objectives of the Grampian Film office were to;

- attract production spend into the Grampian area and
- attract creative talent to Grampian and develop existing talent in the area.

2.7 These objectives are consistent with those of other Scottish regional film offices. However within these two objectives there has been more focus on the first. The specific project output suggested in the approval paper is ‘**the attraction of film productions to the Grampian region**’.

2.8 In relation to the second project objective many of the stakeholders felt that there were already a number of other initiatives operating in the region including the work of Peacock Visual Arts and the Aberdeen Film Foundation which were directly involved in training courses and the development of local talent. Hence, the role of the Grampian Film office in this area has been in the provision of information and signposting to potential funding sources, training providers and other industry contacts. However, the attraction of productions to the region should also provide work opportunities for individuals and firms entering or operating in the industry.

2.9 As the office has developed, the objectives have moved away from trying to attract very large productions (e.g. feature films and large drama productions) towards other production activity (e.g. small adverts, documentaries and drama). There has been a realisation that attracting these large productions is difficult and often depends on factors that are well beyond the Film Office’s control, including the demands of the script, the cost of filming and the tax position.

2.10 Whilst the objectives of the film office mainly relate to the attraction of new productions and the direct impact of their expenditure in the region, there may also be knock-on benefits generated by positive coverage of the region. This coverage might encourage more visitors into the region (e.g. through ‘film tourism’). This “film tourism effect” has been observed so many times in both the UK and internationally that it can now be reported as fact. Some key points and examples include;

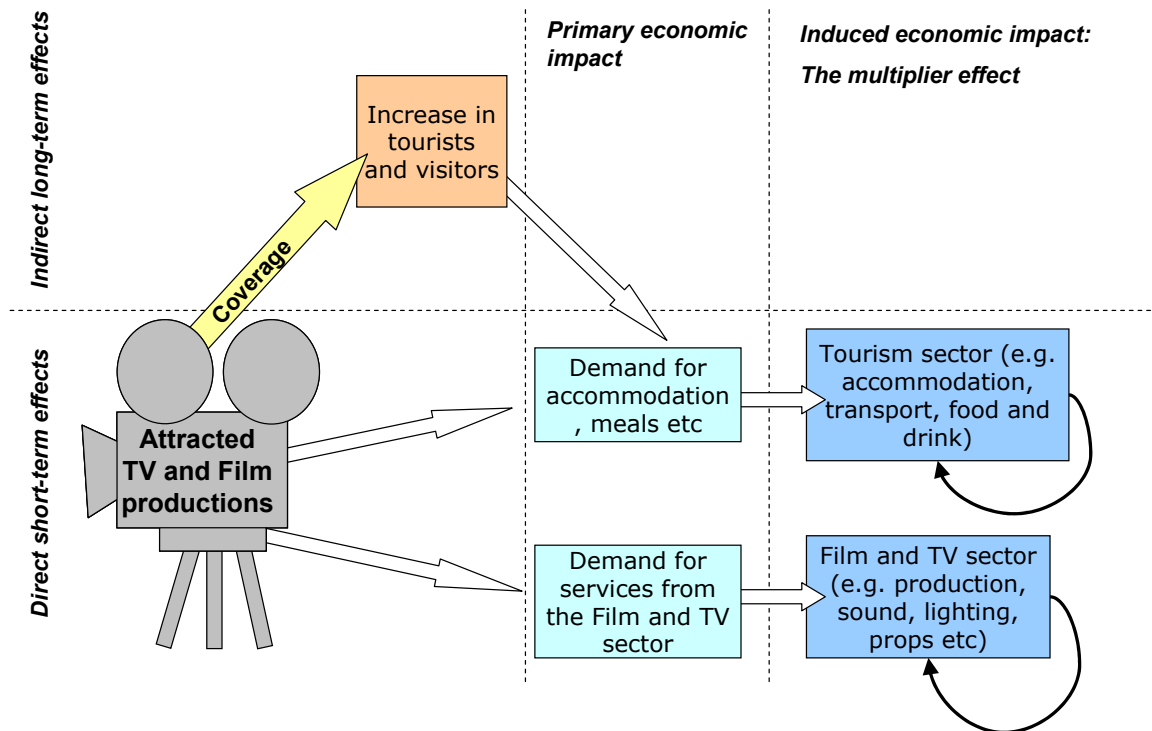
- In 1998, tourism spend in the UK was £12.7 billion, with 19% of all visitors stating that TV/cinema/radio prompted them to come to the UK.
- People are likely to evaluate the tourist attractions and information shown in the film as relatively unbiased when compared to traditional advertising and Riley and Van Doren¹ state that the key elements of film that make it beneficial as a marketing tool are;
 - Long periods of location exposure
 - Involvement and identification with locations through the storyline
 - Enhanced location image through special effects, actor appeal, etc...
 - Reinforcement of locations through re-release on other media
 - Contact with different market segments through the universal appeal of film
 - A non-sales environment
 - Easy access to the medium for all
- Following *Four Weddings and a Funeral* in 1994, the Queen Elizabeth suite of the 16th century Crown Hotel became booked up a year in advance
- Travel to Thailand after *The Beach* increased substantially. UK visitors totalled 480,303 – up 12% over the same period of the previous year and first time visitors rose by 8% (to 234,482)
 - The steepest rise came from the target audience for the movie, with travellers between 15-24 years of age increasing by 22% (to 60,287)

2.11 Despite these promotional benefits, the productions that the GFO encourages into the region will bring new demand and expenditure, both for film and TV related services and tourism services (e.g. accommodation, food and drink, etc). This primary economic effect will result in ‘knock on’ effects via an induced economic multiplier which will include ‘supplier’ and ‘income’ effects. These effects are discussed in chapter 3.

2.12 All of these effects can be seen in the diagram overleaf.

¹ Motion Picture impacts on destinations images, page 222.

Figure 2.1: Short and long-term effects of the Film office and primary and induced economic impacts.



Strategic fit

2.13 Based on these objectives, we believe the Grampian Film office project alone represents a reasonable fit with each of the three priorities under 'A Smart, Successful, Scotland' at a local level. The key objective of the film office is attracting productions to the region and the alignment of this with the strategic objectives of Scottish Enterprise are discussed below.

- **Growing businesses-** The operation of the Grampian Film Office should stimulate the supply of productions to the region, resulting in additional opportunities for the local firms operating in the industry.
- **Skills and learning-** By stimulating the supply chain and bringing more productions to the region it is anticipated that they might provide opportunities for work experience and skills development, particularly for young people.
- **Global connections-** Indirectly, the productions brought into the region by the film office generate coverage of the area which contributes to place competitiveness and the quality of the region as a place to visit, live, work or invest.

Outputs and activities

2.14 The output from the public sector investment is the creation of a Grampian Film Office (GFO) itself, including a full time Film Officer. Until, September 2005 this post was held by

Joyce Ogilvie and following a two and a half month break it was subsequently filled by Samantha Foley who is the current Film Commissioner.

2.15 There are a number of activities that the Film office has undertaken including²;

- responding to enquiries for filming locations and despatching responses within 72 hours,
- various marketing activities including;
 - maintaining the film office website (www.grampianfilmoffice.com) with a growing library of digital photographs of film locations in the region that can be used to promote specific area attractions or features,
 - familiarisation trips for major location scouts and
 - trips to film festivals and other events that provide opportunities to make new contacts in the industry which might bring productions into the area.
- Supporting the film and TV productions that take place in the area by giving information and contacts, facilitating requests and creating a film friendly environment,
- maintaining databases of locations and contacts whose services, cooperation or knowledge may be vital for film crews and productions and
- through co-operation with partners encourage and assist amateur film makers in the area.

2.16 Whilst the film office is involved in a variety of different activities, it should be noted that since its inception the focus has been on attracting production and their expenditure into the Grampian area and undertaking various marketing activities to increase the effectiveness of this process.

Budget

2.17 We understand that the £60,000 budget supporting the activities of the Film office has been split between £30,000 on the wages, travel, expenses and on-costs of the film commissioner and £30,000 on the website, marketing and other activities.

² Information on activities taken from Aberdeenshire Council Grampian Film Commissioner Job Description, Scottish Screen Locations Network Aims, Procedures and Protocols paper and available monitoring data on the activities of the Grampian Film Commissioner 2003-06

3 Activities, outcomes and impacts

- 3.1 This section of the report attempts to value the net additional economic impacts resulting from the project and the activities of the Film office. It considers the productions that have taken place in the region and the spending that they have generated. It also discusses the procedure by which productions are brought to Grampian, the conversion rate and progress from enquiry to filming.
- 3.2 By looking at the channels and networks through which these enquiries are made it suggests how the marketing tools can be used to maximise the volume, quality and additionality of these enquiries. This would increase the number of productions that are directly attracted to the region by the film office and therefore the overall net additional economic impact.

The additionality issue

- 3.3 The additionality issue is central to assessments of economic impact and value for money. Essentially this requires a consideration of what would have occurred if the Film office (and therefore the project) did not exist, the 'base case'. Additionality³ must be calculated with consideration of 'leakage', 'deadweight', 'displacement' and 'substitution' effects. These are explained below.
- 'Leakage' occurs when the benefits accrue outside the spatial area or group that the intervention is intended to enhance, for example this would include any spending made by productions coming to Grampian that went to firms and suppliers not based within the region.
 - 'Deadweight' refers to outcomes which would have occurred anyway without the intervention. Including productions that would have come to the region anyway even if the Film office did not exist.
 - 'Displacement' and 'substitution' impacts are closely related. They measure the extent to which the benefits of a project are offset by reductions of output or employment elsewhere. For example a production brought to Grampian which takes place in a hotel might cause that hotel to cancel or turn down bookings which might then go elsewhere outside the region. The result would be that whilst the production brought new expenditure to the region by its filming, it also stopped or 'displaced' some expenditure from the region in hotel bookings.

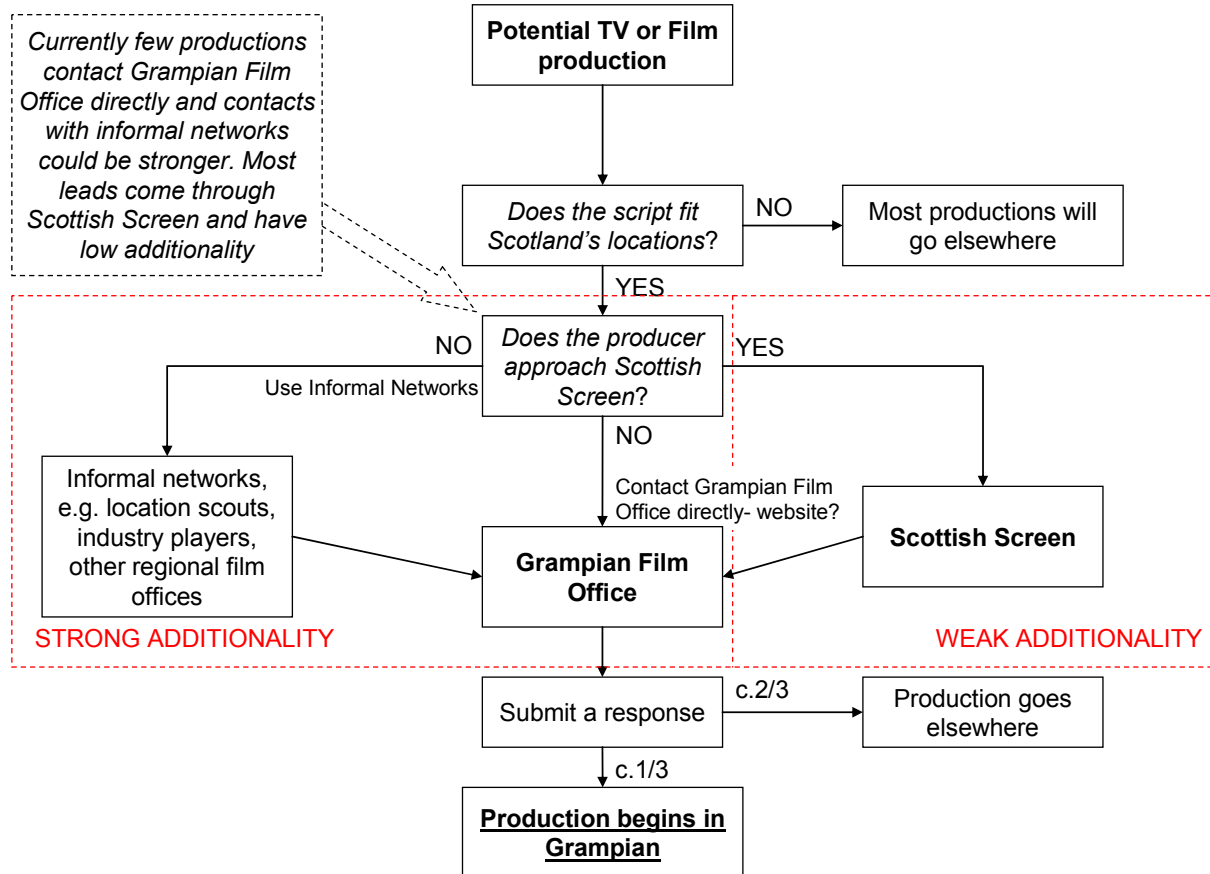
³ <http://greenbook.treasury.gov.uk/annex01.htm#additionality>

The enquiry process

- 3.4 The process of generating leads and enquiries and converting them to productions is complex. Potential TV and Film productions will first need to include locations in their scripts which could be based in Scotland for producers and location scouts to consider the country. This is a barrier that significantly narrows the opportunity for attracting productions.
- 3.5 Once the decision has been made by film producers to consider film locations in Scotland there are a number of channels they might pursue.
- Firstly they might formally contact Scottish Screen (SS), either directly or indirectly through the UK Film Council. Scottish Screen then forward these location requests to all the regional film offices and the enquiry reaches the Grampian Film Office (GFO). The issues with these enquiries are that;
 - they are not generated by the office itself and so are likely to exhibit a much lower level of additionality since if the GFO did not exist, these productions would still have come to Scotland and may have come to Grampian,
 - they are directed at ‘Scotland’ not ‘Grampian’ and so are less likely to relate to the types of site in which the region has an advantage in terms of its film location assets. This means that the GFO is less likely to ‘win’ these requests over those whom approach it directly and therefore already tend to have sites in mind.
 - Secondly film producers might approach the GFO directly either after visiting the website or after meeting the Film Commissioner at an event or festival or receiving some marketing material via a mailshot etc. These leads are the strongest because;
 - they approach the GFO directly and so the additionality is higher,
 - they are more likely to relate to the film location assets and strengths of the region and so the GFO are more likely to convert these requests into productions.
 - Thirdly they may use another informal contact based in Scotland, for example a supplier or contact from a previous production etc. Our consultations with local production companies, customers and a Scottish locations scout suggest that these informal enquiries are the strongest. This is supported by our consultations with the older regional film offices in Scotland who suggested that during their lifetimes they have established very strong informal networks through which they receive a great many of their enquiries. These leads;
 - also have high additionality,

- come through established contacts which may make them easier to convert into productions in Grampian.

Figure 3.1: Decision tree of the origins of leads and enquiries and their conversion into productions in Grampian



3.6 The analysis and understanding of this process suggests that leads generated by the GFO itself over and above those received through SS are likely to be both more additional and easier to convert into actual productions. This emphasises;

- that the website is extremely important in terms of generating leads and must be high quality and, more importantly, easily found through search engines. We believe this can be improved, particularly through changing the 'keywords' to reflect key phrases rather than words, changing the 'title tag' and name of the Film office to reflect Aberdeen and Aberdeenshire over Grampian which is likely to be less well known.
- The GFO needs to develop wide and strong networks within the industry. This does not necessarily mean attending many external events, since there are some local companies and organisations who will already be linked into these networks. The film commissioner should contact these individuals and organisations to arrange introductions and seek to maintain close and strong relationships with them. In addition, a full and complete

database should be maintained of all industry contacts and leads. We note that from our consultations;

- it was difficult to contact those who have filmed in the area previously and these networks appear to be weak with the contact information not always being held,
- local firms in the TV and Film industry were aware of the GFO but had little or no contact with the new Film Officer or the GFO since Joyce Ogilvie's departure and contact with these groups needs to be re-established.

3.7 We also should note that whilst enquiries generated by the GFO directly are likely to have advantages, additionality can be gained from all enquiries through stronger engagement with these production companies. In particular, other regional film offices emphasised that they encourage additional spend by contacting the producer and asking them what else they would like to film in the region or what other services they can provide for their production. This can result in either additional shoots or extra contracts for local film and TV suppliers e.g. hair and make-up assistance, props etc.

Leads and productions of GFO

3.8 Attempting to assess the volume of enquiries and actual productions that the film office has brought to Grampian is important in understanding impact, value for money and return on investment. However, making these assessments is complicated by an inconsistent monitoring approach. Before March 2005, there was no monitoring or recording of enquiries and the monitoring of actual productions collected the company name, length of shoot, expenditure made and the genre of the production (e.g. film, drama, documentary etc). Importantly, prior to March 2005;

- no records were kept of where the lead had come from (e.g. SS, website, etc), which as we have discussed is important in additionality assumptions,
- limited records were kept of what the location actually was (e.g. a castle, a beach etc) which is important in understanding the opportunities and strengths of the region and
- no details were kept of the individual contacts working within these production companies who, as we have discussed, are important in building up these informal networks.

3.9 However, it is clear that since the arrival of the new Film Commissioner these things have been considered retrospectively and the monitoring process has been improved and, where possible, some of these gaps have been filled. Moving forward we consider that the new monitoring system is of a much higher quality with all enquiries being logged, this is important as over time it should allow any progress to be assessed against previous years and

provide evidence of growth and improvement. However, improvements could still be made by logging the names and contact details of those who approach the office in the future to build up its network of contacts.

Enquiries and leads

- 3.10 As we have noted, there is no data available before March 2005 on enquiries and data before September 2005 does not collect the source of the lead (e.g. SS, website etc). However, over the five months between September 2005 and the end of January 2006 there have been 30 enquiries, suggesting an average of around six per month. Over a twelve month period, this would equate to 72 enquiries, but we would anticipate that the number of enquiries would be seasonal and we would therefore suggest that the total number that the film office is likely to receive in a year is around 100.

Table 3.1: Origins of enquiries/leads to the GFO (September 2005-January 2006)		
Origin of lead/enquiry	n	%
Scottish Screen	21	70%
GFO website	5	17%
GFO directly	4	13%
Totals	30	100%

- 3.11 The table above suggests that 70% of the leads or enquiries reaching the GFO come from Scottish Screen, with 30% coming from its website or direct contact. Over a year, this would indicate 70 enquiries through Scottish Screen, with the remaining 30 coming to the GFO directly. By comparison, at some of the more established regional film offices, a much lower proportion of enquiries come directly from Scottish Screen. For example the Scottish Highlands and Islands Film Commission suggested that less than half of their leads come through Scottish Screen, with the majority through informal contacts or marketing activities (e.g. mailshots etc) and Tayscreen suggested that this figure was even lower at 25%. Both of these regional film offices reported receiving over 200 enquiries a year and the Edinburgh Film Focus received 380 in 2005, compared to the 100 we estimate of the GFO, emphasising the importance of these networks and the time (and funding) needed to gain a position in the market.
- 3.12 We have categorised the types of location used in those productions that took place before 2005 and all the enquiries and productions that took place during 2005 for which we have data (48 requests and productions), this can be seen in the table below.

Table 3.2: Locations requests and filmed at most frequently (2003-2005 using available data)

Type of location requested	Total requests and productions from available data		Actual productions delivered ⁴	
	n	%	n	%
Castles/Old houses	11	23%	7	26%
Coasts/Beaches	5	10%	3	11%
Oil industry related	3	6%	2	7%
Military	3	6%	1	4%
Rural/Estates	5	10%	3	11%
Industrial/Factories	1	2%	0	0%
Roads	3	6%	2	7%
Other various different sites	17	35%	9	33%
Totals	48	100%	27	100%

- 3.13 This data indicates that those requests most frequently made to the GFO and also those productions most regularly occurring in the region are for, Castles/Old houses (23% of requests and 26% of productions), Coasts/Beaches (10% of requests and 11% of productions) and Rural sites and Estates (10% of requests and 11% of productions).

Productions attracted

- 3.14 In total, during the life of the GFO, 42 productions have taken place in the Grampian region. Most commonly, these have included TV Documentaries (14 out of 42 productions 33%) and adverts (10 out of 42 productions 24%).

Table 3.3: Number, type and expenditure of productions that have taken place in Grampian during the operation of the GFO (2003-05)

Genre of production	Number of productions	Days filming	Gross spend (£)	Average gross spend per day (£'s p/day)
Adverts/commercials	10	22	£80,035	£3,638
TV- Documentary	14	44	£66,495	£1,511
TV- Drama	5	31	£52,060	£1,679
TV- Docu-Drama	4	31	£589,670	£19,022
TV production	3	5	£3,856	£771
TV- Reality	2	19	£101,400	£5,337
Film- Short	3	29	£21,350	£736
Film- Feature	0	0	£0	£0
Corporate	1	3	£9,000	£3,000
Totals	42	184	£923,866	£5,021

⁴ Note, there have been 42 productions delivered since the projects inception in 2003, but only 27 of these provide data on where they were filmed

3.15 The largest total gross expenditure has come from Docu-dramas, which also appear to have the highest average gross expenditure per day of filming. However, we note that almost all of this expenditure came from the production of ‘the Queen’ at Cluny Castle in 2005, which had a total gross expenditure of £575,070 over three weeks of filming. Apart from Docu-dramas, adverts and reality shows appear to have generated the highest total gross expenditure and also have the next highest average gross expenditure per day of filming.

3.16 This might suggest that to maximise the impacts from production expenditures the GFO should be focussing on attracting reality TV programmes and adverts. In particular, some stakeholders felt that the region had held productions for a lot of car adverts and that this was a significant opportunity for them.

Impacts

3.17 As we noted in chapter two, the GFO can make a contribution to other agendas beyond ‘Growing businesses’. It can also make a contribution to the ‘Skills and learning’ agenda by providing work opportunities for local talent and provides promotional benefits increasing ‘Global connections’. The contribution to each of these is discussed in turn.

Contribution to ‘Growing businesses’ agenda

3.18 As we have discussed in chapter two the GFO and the expenditure of the productions it can encourage contribute to the ‘Growing businesses’ theme within the ‘Smart, Successful, Scotland’ strategy document by offering business opportunities for local firms in the industry.

3.19 Our methodology for calculating the economic impacts resulting from this attracted production expenditure follow a process that is consistent with HM Treasury Green Book standards of project appraisal and evaluation. The starting point for our analysis is gross expenditure, i.e. the total expenditure brought by all productions that came into Grampian during the film office’s lifetime, whilst we note from our consultations with other film offices and Scottish Screen that these local production expenditures are difficult to obtain from production companies and subject to a certain degree of error, we feel from the consultations that they present a reasonably fair reflection of the likely local gross expenditure in the region from each production.

3.20 After we have accounted for the total gross expenditure an assessment was made for the ‘additionality’ of this expenditure in terms of the ‘deadweight’ (i.e. the number of productions that would have come to the area and spent their money anyway without the film office), ‘displacement’ and ‘substitution’ effects (i.e. the displaced economic activity or expenditure lost as a result of these productions taking up capacity, for example the lost bookings a hotel might face when being used for filming). The assessments of additionality, including

deadweight, displacement and substitution effects have been informed through our consultations with,

- four productions that came to the region including ‘the Queen’,
- with individuals responsible for two of the locations used and
- with three local companies involved in the TV and Film industry.

3.21 Finally once the amounts of deadweight, displacement and substitution have been deducted, we are left with the net additional production expenditure to which we must then apply a multiplier value to take account of the ‘knock-on’ benefits of this expenditure. These benefits will include;

- a ‘**supplier effect**’, for example a Grampian hotel which is used by production staff during the filming may pay some of the expenditure to another local supplier for example to purchase additional goods and services, recycling this expenditure.
- An ‘**income effect**’, for example the same hotel might use some of the expenditure to pay the salaries and wages of its staff and these staff may then recycle this expenditure by spending it in the local economy.

3.22 Once we have applied this multiplier value, we can obtain the total net additional economic impact of the GFO.

Gross expenditure

3.23 In total 42 productions have taken place during the life of the film office generating a total gross expenditure of £924,000 in the Grampian area over 184 days of filming. During the period for which Scottish Enterprise has been funding the project seven productions have taken place in the Grampian region involving 47 days of filming and £600,000 of gross expenditure.

Table 3.4: Total productions, filming days and gross expenditure associated with these productions during the GFO lifetime

	Productions	Days filming	Gross spend (£)
2003 (July-Dec)	9	36	£91,450
2004(Jan-Dec)	15	64	£186,595
2005 (Jan-Dec)	18	84	£645,821
Totals	42	184	£923,866
Within SE funding period (June 2005-06)	7	47	£600,026

Additionality, deadweight and displacement

- 3.24 Of the £600,000 gross expenditure made during the SE funding period, £575,070 came from one production, 'the Queen' at Cluny Castle. We consulted with the Scottish location scout responsible for bringing the site to the attention of the programme's producers who noted that he had very little contact with the GFO (at the time of filming there had in fact been no Film Commissioner in post) and he had come up with the option of Cluny Castle himself. The limited involvement of the GFO suggests that the decision to come to Grampian and use the Cluny Castle site was not influenced by the GFO and so we would conclude that the production and its resulting expenditure would have come to the region anyway, even if the GFO did not exist.
- 3.25 Of the remaining six productions, our consultations suggest that three of these would also have come to the area anyway and three may not have done. This indicates that of the £600,000 gross expenditure made in the Grampian, around £587,500 represents deadweight expenditure that would have been made in the area anyway and £12,500 represents actual expenditure generated by the GFO.
- 3.26 We also considered the displacement and substitution effects of this activity, for example from displaced tourism activity. After our consultations and analysis it is clear that, there is unlikely to be a significantly high enough level of production activity to have any impact on these issues and most of the productions have taken place at rural sites or locations, presenting no capacity constraint issues. The overall levels of displaced or substituted economic activity are negligible and we have assumed these effects to be nil for the Grampian region.
- 3.27 This suggests that during the period of SE Grampian's funding of this project from May 2005 up to the start of February 2006 the GFO has generated £12,500, since the projects funding is due to run until March 2006 it seems reasonable to assume that **the project will generate around £15,000 of net additional expenditure during its funding period.** To this we must now apply the multiplier value to take account of the 'knock on' effects.

Multipliers and economic impact

- 3.28 The increase in economic activity as a result of these productions will also have knock-on supplier and income effects as we discussed previously. In order to account for these we must apply a multiplier. After consultation with some of these productions and other stakeholders we have chosen to use a tourism multiplier of 1.46 in line with Scottish Enterprise Tourism Project Appraisal Guidance. Whilst this is not a tourism project, the consultations suggest that the vast majority of this local production expenditure would have been made with tourism businesses (accommodation, food and drink etc) we therefore feel this offers a fair reflection of these knock-on effects. This implies that,

- **during the SE Grampian funding period of this project, the GFO generated £21,900 of net additional economic output in the Grampian economy.**

Opportunity cost

- 3.29 In order to permit robust assessments to be made of the value for money of the project and the return on investment, we must also consider possible alternative uses for this funding. The activities of the Film office are quite unique and so one might argue that meaningful comparators are difficult to come by, however the primary objective of the GFO is to attract productions and expenditure into the region and this is not unlike the activities of the convention bureau whom are also attempting to attract inward investment expenditure through conferences, events and MICE tourism.
- 3.30 In 2000 SQW conducted an evaluation and economic impact assessment of the Aberdeen and Grampian Convention Bureau (AGCB), which found that between 1997-2000 the ACGB generated an economic impact of £3,780,000 for a £160,000 public sector investment, giving a cost to expenditure ratio of 1:24. By comparison, the GFO in 2005/06 is likely to generate an economic impact of £21,900 for a public sector investment of £60,000, giving a cost to expenditure ratio of 1:0.4.
- 3.31 By considering the cost to expenditure ratio of the GFO in isolation and in comparison with other initiatives, we **do not believe that the project represents a reasonable rate of return against its investment over the SE Grampian funding period.**

Contribution to 'Skills and learning' and 'Global connections' agendas

- 3.32 These productions can also contribute to the other themes of the 'Smart, Successful, Scotland' strategy. They can provide,
- work experience and skills development opportunities particularly for young people in the region, which contributes to the 'Skills and Learning' theme and
 - coverage and promotion of the region when they are broadcast, contributing to the 'Global Connections' theme
- 3.33 In each of these themes it is difficult to understand the contribution that the GFO has made to, especially in skills and learning, since currently this activity is not monitored. However, by examining the types of filming that have been undertaken in the region, the nature of the production expenditure made and the perspectives of our consultations **we would conclude that the contribution made to the 'Skills and learning' and 'Global connections' agendas is likely to be limited.**

3.34 In particular;

- adverts and corporate videos are unlikely to provide as strong ‘skills and learning’ opportunities to develop local talent as TV and Film productions and to date these account for 26% of all the productions taking place in the region
- similarly adverts will not provide images that could be attributed to the Grampian region over other and so the coverage they generate is not likely to contribute to the ‘global connections’ agenda
- the consultations suggested that this attribution problem was also a significant issue for many of the other productions and many do not appear to be of sufficient scale to make a contribution to the ‘global connections’ agenda
- to date the productions that have been attracted and the resulting expenditure does not seem to have made a significant contribution to the local industry and our consultations suggest that the majority of this expenditure has gone on accommodation, transport and other tourism related businesses, generating fewer business opportunities for local firms and correspondingly fewer ‘skills and learning’ opportunities for local talent

3.35 Given that the contribution to these agendas and in particular the promotion and coverage element is not an explicit objective with targets that is monitored it is perhaps not surprising that the contribution is limited and difficult to assess. Currently without accounting for these impacts in the objectives and monitoring they are unlikely to be strongly considered in the activities of the GFO. In order to ensure these impacts are considered corresponding changes should be made to the objectives, monitoring and Key Performance Indicators of the GFO. If the value and nature of these things was more strongly monitored and assessed against specific objectives this would allow a more transparent understanding of the full value of the GFO against the strategies of the funding partners and this would increase the sustainability of funding from these partners.

Time lags and other issues

3.36 Despite our belief that against the ‘Growing businesses’ agenda, the projects current expenditure does not appear to have demonstrated a reasonable return and the impact on the ‘Skills and learning’ and ‘Global connections’ agendas is marginal, there are a number of factors to consider.

- The GFO will need time to establish itself in the market and build up awareness of its locations and activities amongst production companies. Currently the GFO has been running for just over two and a half years and consultations with Scottish Screen and the regional screen offices suggested that to gain this market share and recognition could take at least five years. If the number of productions being filmed in the area grows (there

were 15 in 2004 and 18 in 2005) and the role of the GFO in attracting these productions increases, it might begin to demonstrate a reasonable return over a longer timeframe, although this timeframe is likely to be longer than five years if current trends continue.

- Gaining additional productions is largely dependant on marketing activities and building up the GFO's network of contacts, this activity can be expensive and the current budget represents around half of that enjoyed by larger more established film offices against which the GFO competes. One could therefore argue that the GFO is unable to undertake these activities to the same extent and quality as these other competing film offices which have bigger budgets.
- Unlike the activities of the convention bureau or other inward investment bodies, the productions that the GFO attracts do not simply generate new expenditure for hotels etc. These productions are also shown to audiences outside the region and can act as a showcase or marketing tool to attract tourists, in-migration and other inward investment. As we discussed in the previous chapter, the use of certain locations in films has resulted in massive increases in visitor numbers at those sites. Whilst this activity is marginal at present, it could potentially generate much stronger benefits for the region in the future if it were a core objective of the GFO. The important points are that these sites;
 - need to be recognisable as being in the region (attribution) and
 - the coverage would need to emphasise the positive aspects of the region in line with the objectives underpinning Aberdeen city and Aberdeenshire brand.
- Despite the limited impacts on the economy, the film office has been able to provide advice and support for some locally produced films like 'In a Man's World'. This film won critical acclaim and beat 450 other contenders to win 'best drama' at the New York Independent Film and Video Awards in 2005.
- Finally, many of the stakeholders we spoke to, the location scouts, customers and industry groups all felt that the GFO and regional film offices in general provide an important role in helping to facilitate productions rather than attract them and foster an environment that is 'film friendly'.

Conclusions

- 3.37 The main focus of the GFO has been to attract new productions to the region which without their intervention would not have come. The attraction of these productions is at least in part characterised by informal networks between the production companies and location offices and establishing a position in these networks through marketing is paramount if the GFO is to attract more 'additional' productions. This is unlikely to happen sufficiently through responding to Scottish Screen enquiries which currently account for 70% of all those the GFO

receives. This suggests that the website and other marketing activities become increasingly important and these need to be optimised.

- 3.38 In all cases the activities, enquiries and productions need to be monitored consistently to show any long term trends and any future success of the GFO will depend on developing and maintaining stronger relationships with their potential customers. In light of this the GFO should seek to more completely maintain a database of customer contacts as well as monitor enquiries and productions.
- 3.39 During the life of the GFO 42 productions have taken place in the Grampian region and the types of sites used suggest that the areas strengths are in castles and old houses (26% of productions), beaches and coastline (11%) and rural areas and estates (11%). The productions that the region has had the most success in attracting are adverts and TV documentaries although adverts and reality TV shows tend to produce the highest amounts of expenditure per day of filming in the region.
- 3.40 Overall the economic impact and contribution to the ‘Growing businesses’ agenda of the GFO during the period when it has been supported by SE Grampian funding was £21,900 against a £60,000 budget. We do not believe that this represents a strong return on investment.
- 3.41 Similarly, the contribution to ‘Skills and learning’ and ‘Global connections’ is also likely to be limited judging by the types of filming activity that have taken place, the scale and nature of their expenditure in the region and the responses from our consultation programme.
- 3.42 However, we also note that the GFO will take time to develop market awareness and share against a relatively small budget compared to some other regional film offices. It may be making a contribution in other ways, for example through promoting a film friendly environment or providing information and advice to local amateur film makers.

4 Delivery structure and forward look

4.1 This chapter looks at the current structure of the GFO and the other film offices and considers how this could be amended to provide a more sustainable solution for the office in the future. In order to fully understand and inform any of our conclusions in this area, there are a number of areas we need to consider.

Market opportunity

- How big is the market opportunity in Grampian?
 - Is it significant enough to attract sufficient TV and Film productions to the region in the future to demonstrate a reasonable return on the investment?
 - Is it significant enough to warrant the maintenance of the GFO?

Stakeholder and partner perspectives

- How positive are all the partners in relation to the GFO and are they likely to continue to fund the initiative in the future?
- How are the other regional film offices funded and what can we learn from these experiences?
- Is partnering with another regional film office likely to lead to a more sustainable solution?

Funding period and alternative funding partners

- Is there any way of ensuring a longer funding commitment to this type of revenue project from the current, or other funding partners?
- Are there any alternative sources of funding, including the private sector?

Market opportunity

4.2 It is difficult to assess the size of the film and TV production opportunity in the Grampian region and even more challenging to understand how that opportunity might stack up against competing alternative uses for public funding. At a national level Scottish Screen's (SS) annual report for 2005 indicates that the total number of enquiries and productions taking place in Scotland is growing and there has been particular growth in interest from overseas. Overall in 2004 SS estimates that the total value of location shooting in Scotland was £25.5million.

Table 4.1: Volume and origins of location enquiries at Scottish Screen (2002-04) (Source: 2005 Annual report)

Origin of location enquiries	2002	2003	2004
Within Scotland	85	176	136
Rest of the UK	86	173	130
Worldwide	60	82	255
Totals	231	434	521

- 4.3 The volume of enquiries increased by 88% in 2002-03 and 20% in 2003-04, there has been strong growth in the number of enquiries from overseas (up 210% between 2003-04) but a small decline in the number of enquiries from within Scotland and the rest of the UK.

Table 4.2: Volume and type of completed productions in Scotland and Grampian 2002-04 and Grampian % of Scottish total (Source: 2005 SS Annual report and GFO monitoring)

	2003		2004	
	Scotland	Grampian	Scotland	Grampian
Feature films	17	0 (0%)	14	0 (0%)
TV productions	127	7 (6%)	217	11 (5%)
Commercials	32	1 (3%)	48	3 (6%)
Corporate films	19	0 (0%)	26	0 (0%)
Stills	23	0 (0%)	17	0 (0%)
Shorts	39	1 (3%)	45	1 (2%)
Totals	257	9 (4%)	367	15 (4%)

- 4.4 At a Scottish level the number of productions is similarly growing rising by 42% in 2003-04 and whilst the number of productions taking place in Grampian has grown the region continues to attract around 4% of all Scottish productions.
- 4.5 A number of consultees also noted that the Grampian region has some of Scotland's key industry players like Tern TV and other production companies. In addition, the area also has some studio facilities which were seen by some as a significant contributor to the competitive offer.

Table 4.3: Screen industry employment in Scotland by region, 2002 (Source ABI)

Region	Number	% of total employment for that region	% of Scottish employment in the Screen industries
Borders	151	0.4%	2%
Central	117	0.1%	1%
Dumfries and Galloway	93	0.2%	1%
Fife	1,974	1.5%	20%
Grampian	553	0.2%	6%
Highlands	175	0.2%	2%
Lothian	3,572	0.8%	36%
Strathclyde	3,184	0.3%	32%
Tayside	177	0.1%	2%
Western Isles	7	0.1%	0%
Scotland	10,003	0.4%	100%
Great Britain	113,936	0.4%	N/A

- 4.6 The table above shows that within Grampian total screen industry employment accounts for 0.2% of all employment and at a Scottish level, 6% of all screen industry jobs can be found in the region. This indicates that it is the 4th strongest region in employment terms but some way behind the Lothians and Strathclyde and Fife with 36%, 32% and 20% respectively.

Opportunity versus investment

- 4.7 With a £60,000 investment, as we have discussed in chapter three, this would require a cost to expenditure ratio of 1:24 to be comparable with the return seen by the AGCB investments in 1997-2000. However, this 1:24 ratio represents a strong return on the investment and we would suggest that if the cost to expenditure ratio were 1:20 this would be reasonable, or £1,200,000 per annum. This means that the GFO would need to attract enough productions to deliver £1,200,000/1.46 (multiplier value) or £821,900 in one year (3% of the total value of Scottish production expenditure).
- 4.8 Given that the Grampian region currently attracts 4% of the number of productions and this has been growing steadily from 9 in 2003 to 18 in 2005 this might not seem to be an unreasonable objective. However; the region will need to attract more of the larger productions than it does currently. If 367 productions in 2004 generated £25.5m of production expenditure, this would give an average expenditure per production of £59,500, requiring the GFO to attract 14 of these each year. Yet the 42 productions that have taken place in Grampian since the GFO's inception have generated £923,866 or roughly £22,000 per production, which would require 45 productions to be attracted each year. This demonstrates that the Grampian region is currently attracting many of the smaller productions taking place in Scotland. There is also a wide variance between these productions and the amount of

expenditure that they generate for example in 2004 the film production of ‘The Jacket’ generated £2.7m of the £25.5m total (11%). If the GFO is to attract 3% of the total production expenditure it is likely that it will need to attract more of these larger productions.

4.9 Overall, it may not seem unreasonable to assume that the region could attract 3% of the total production expenditure in Scotland, per annum. However, if the GFO is to achieve this target then it is likely that the amount of production expenditure taking place in Grampian will need to more than double from its present level and that all of the growth will need to be attributable to the GFO. The key challenge will be to improve the additionality of the GFO’s involvement through more productive marketing.

Grampian region SWOT analysis

4.10 In order to more fully understand the market position of the Grampian region and the GFO we have conducted a SWOT analysis based on the results from our consultation programme. The results can be seen below.

Table 4.4: Grampian and GFO SWOT analysis	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Provision of Castles, coastal sites, roads and rural locations • Access in relation competing sites in the Highlands and Islands • Existence of some reasonable local production companies • Some local studio provision for filming 	<ul style="list-style-type: none"> • Provision of strong urban sites and architecture • Access in relation to sites in Fife/Tayside and the Central belt • Very few ‘big wins’ to date like ‘the queen’ after 2 ½ years • Lower funding than main regional competitors • Weak relationships with local industry • Weak relationships with previous visiting production companies, location scouts etc • Some momentum lost between departure of Joyce Ogilvie and appointment of Sam Foley
Opportunities	Threats
<ul style="list-style-type: none"> • Increase numbers of car commercials • Highest regional Scottish concentration of castles and estates • Increase leads by optimising website accessibility • Build up networks through contact and consultation with local industry players 	<ul style="list-style-type: none"> • Highlands and Tayscreen regions have similar site offerings and are more established with greater market awareness and resources • Many factors beyond the GFO’s control e.g. tax situation, incentives for film production from elsewhere and script demands

4.11 This analysis suggests that the progress to date has been slow with few big productions being made in the region and some of the original momentum has been lost with the departure of Joyce Ogilvie and the ensuing gap. There is a strong competitive threat from Tayside/Fife and the Highlands where regional film offices are more established and better funded with stronger networks. This might explain this slow progress in comparison to these other regional Scottish film offices. The GFO also has no control over the macro conditions which

can have a substantial effect on the number of productions which come into Scotland and Grampian.

- 4.12 There are however some opportunities for the GFO to increase the volume of productions it attracts, particularly car commercials and productions using castles or coastal sites in which the region appears to have a particularly strong offer. Increasing the volume of these productions might be done by optimising the accessibility of the website and improving relationships with local industry players who will have strong networks in the industry, both of these options are likely to generate more leads at a relatively low cost. However, these productions are likely to have limited impacts on the 'Skills and learning' and 'Global connections' agendas.

Stakeholder and partner perspectives

- 4.13 Other partners were generally positive about the Film office especially the new Film Officer and the move into Aberdeenshire council offices. Both funding partners felt that this move offered benefits both from the increase in the amount of support available for the Film Officer for example in administration and also in terms of the networking benefits that the council can offer. The relocation of the Film Officer within council premises also allows greater involvement in the activities of the GFO by the funding partners. This suggests that if Scottish Enterprise funding was removed the GFO would continue to operate but in a much more limited capacity.
- 4.14 Currently the GFO is funded equally between Aberdeenshire Council, Aberdeen City Council and Scottish Enterprise Grampian. During our consultations there was a suggestion that Aberdeenshire was the largest beneficiary of the GFO's activities since most of the productions have taken place outside the city. However, in expenditure terms most consultees suggested that much of the expenditure made by these productions is likely to have gone to businesses operating in the city and both areas are likely to benefit from multiplier effects. In many cases it is likely that accommodation expenditures will be made at sites in rural areas close to the filming locations and this spending will be substantial, but most other expenditures are likely to be made with businesses operating in the city. Overall this suggests that the current balance between the three funding partners is reasonably good.
- 4.15 It was noted frequently in consultations that the location requests were varied and complex and it was therefore difficult, even with significant knowledge and experience of the area to be fully aware of all the available sites in Grampian. In fact, to a certain extent, given the size and diversity of the area, one cannot ever expect to be fully aware of all the potential locations in their region and this was the feeling of other regional film offices as well. However, being based within the council offices gives the film commissioner access to other departments who hold information and resources on these sites. For example the architecture department would

hold information on sites of historical significance and photographs, the transport department would hold information on the local infrastructure, etc.

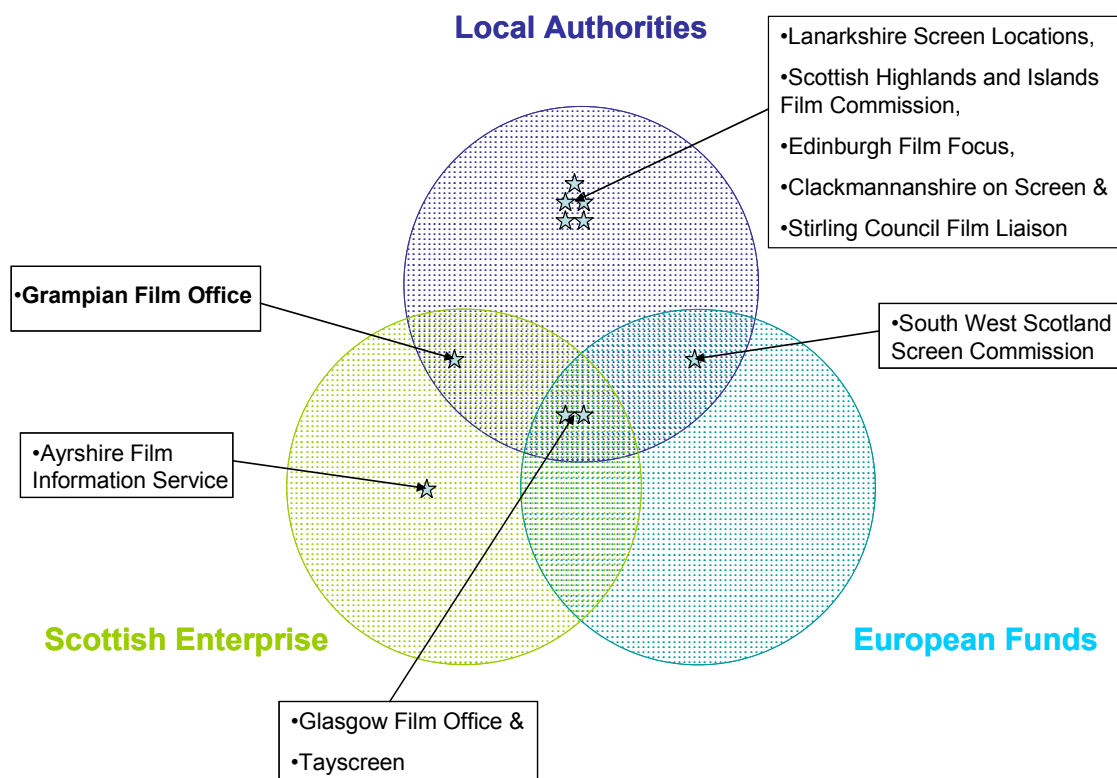
- 4.16 This suggests that any future structure of the GFO should continue to be based within the local authorities, who provide some significant networking advantages over other partners.

Other regional film offices

- 4.17 From our consultations and desk research with other regional film offices, it is clear that there is no consistent model in terms of funding on which the film offices are based. Although there is some consistency in what these regional offices were trying to do in terms of attracting productions, there was no one funding model which seemed to offer a solution that was ‘sustainable’ beyond the usual one to three year project funding periods. In all cases the Film Officers/Commissioners suggested that there was no guarantee that their funding would be continued in the future beyond the current project period, even for those offices that had been operating for more than 15 years.

- 4.18 Presently there are 10 regional film offices and it is clear that in most cases the major funding partners are Local Authorities. In fact only the Ayrshire Film Information Service does not receive local authority support. This is funded solely by Scottish Enterprise Ayrshire and is an entirely re-active service which simply responds to enquiries from Scottish Screen and would not operate without this support. The Venn diagram below shows the involvement of the funding partners for each of the regional Scottish film offices.

Figure 4.1: Venn diagram of the funding streams of all the Scottish regional film offices



- 4.19 Nine out of the ten regional film offices are funded in part by Local Authorities, with five of these being entirely funded by them. Four offices are funded in part by Scottish Enterprise LEC's with just one being entirely funded by them and three of the offices are part financed with European funding.
- 4.20 The level of funding and activity varies between each of the various offices. Both Edinburgh and Glasgow have more significant resources with budgets over twice that of the Grampian Film Office per annum in line with the high concentration of industry players and a strong market opportunity. Tayscreen and the Highlands and Islands Film Commission have similarly high levels of funding and are equally well established, with the Highlands and Islands film commission being in operation since 1991. These offices have more staff than the GFO and many are run at an arms length to their funders, with their own premises etc. Higher funding levels are consistent with higher levels of activity, particularly in marketing terms and many of these offices undertake international activities at festivals like Cannes in co-ordination and partnership with Scottish Screen. However, these higher funding levels are also consistent with a stronger market opportunity, particularly in the case of Edinburgh and Glasgow, who both have a strong local film industry and a competitive urban offering for locations.

Partnering with other film offices

- 4.21 Stakeholders were less clear about partnering with other film offices. Some felt that these offices could cover a larger region and customers would welcome the opportunity to approach one office instead of several, whilst others had some concerns.
- 4.22 Overall, we believe there are a number of issues in relation to developing such a partnership.
- If these film offices covered a larger area it would be more difficult for them to fully understand the locations that they held.
 - If such a partnership were developed, it is likely that this would result in a drop in the relative growth of productions happening in Grampian, since for each enquiry, the office would most likely respond with a limited number of options which might therefore not include sites in Grampian
 - This partnering is unlikely to create very substantial cost savings, since many of these offices are already at full stretch and bringing them together is unlikely to allow less staff and resources to do significantly more.
 - The geographic focus of the resulting 'super-film office' will not fit within the new Aberdeen City and Shire brand.

Funding period and alternative funding partners

- 4.23 As we noted in chapter two, the market failures inherent in this situation will only correct over the long term and there is unlikely to exist a reasonable opportunity for a sustainable market adjustment in the medium term. This suggests that the period for which this project will require funding is substantial. Indeed of the ten existing regional film offices there is little or no evidence that any have ever been able to leverage private sector investment either from local film industry firms or from potential locations and we understand that all are entirely funded by the public sector. In addition, our consultations with industry players suggest that currently they would not be willing to fund the work of the GFO even in part.
- 4.24 From the GFO's perspective there are also very few alternative funding partners in the public sector. Across all the film offices, whilst the major funding sources are Local Authorities, Scottish Enterprise and European funding, there is also some involvement and in kind support from local tourist boards. This option has already been explored with the Aberdeen and Grampian Tourist Board earlier on in the project and we do not believe that the situation is likely to have changed significantly for this position to alter. Similarly, the European funding option is not open to the GFO.

Conclusions

- 4.25 From our analysis the following points are prevalent;
- For the GFO to represent a reasonable return on investment, it would need to attract 3% of the annual production expenditure made in Scotland to Grampian. This is not an impossible proposition. However it will need to generate much more additionality than it does presently and it is likely that the amount of production expenditure in Grampian would have to more than double when the deadweight is taken into account.
 - Other funding partners were positive about the recent changes in the GFO, and in particular the arrival of Samantha Foley as the new Film Officer. They also noted that there were strong networking advantages of locating the Film Officer within the Local Authority offices over other sites.
 - There is a perception amongst the partners that the benefits of the GFO are spread unequally between Aberdeenshire and Aberdeen city. However, we believe that whilst accommodation and site rental expenditures may well be spent in the shire, most other suppliers are likely to be businesses based in Aberdeen city.
 - Examination of the other regional film offices reveals very little learning in terms of developing a more sustainable funding framework and partnership model for the GFO. All the offices are currently funded on an annual or tri-annual funding period, with no guarantee that that funding will continue beyond that period.

- Local Authorities are the most prevalent funding partner, supporting nine out of ten of the regional film offices, with five of these offices being supported entirely with by them. Three are supported in part and one entirely by the Scottish Enterprise network and three receive European funding. There are no other funding partners and no private sector support, although in some cases the local tourist boards do offer some in kind assistance.
- The market failures in this case are unlikely to correct in the medium term and in the case of other film offices private sector investment has not been leveraged for over fifteen years. Any support for the project needs to be available over the longest possible funding period.
- The partnership option with other regional film offices gained a mixed a response from consultees. This option is likely to create some issues in terms of the size of the area to be covered, the fit with the regions brand and the limited scale economies that might be generated.

5 Learning and development

- 5.1 This chapter of the report takes a balanced view of the project overall and discusses the areas in which we feel there are elements of learning for the future development of projects. Specifically it will look at *market failure assessments*, the *setting of objectives and targets* and the *monitoring* elements of the project. All of these are areas in which we believe there could be improvement to improve the effectiveness of future projects.

Market failure

A market failure can be 'anything that may prevent product or factor markets from operating freely, adjusting quickly, or that restricts the information available to producers, consumers or suppliers of resources' HM Treasury (1995).

- 5.2 The identification of market failure is a 'necessary but not sufficient condition' (ibid) for public sector intervention and whilst we note that in the case of the Grampian Film Office the market failures are strong these were not explicitly discussed during the project approval paper. In our experience, market failure is often viewed simply as a hurdle to be overcome by project developers and that in fact the assessments of 'need' and strategic rationale often hold far more priority. Whilst the implication from the statement that market failure is 'necessary' but not 'sufficient' is that it should follow from these assessments of need and strategic fit it is still an essential part of the project appraisal process and one which should have been discussed in the approval paper.
- 5.3 Importantly, considerations of market failure allow practitioners to identify where and why the market is failing and, more importantly in this case, the scale of that market failure. This helps to inform what should be done to bring about a correction to the problem and an exit strategy for the public sector, (*market adjustment*) and also the *significance* of the failure.

Market adjustment

- 5.4 Importantly by looking at this process of market adjustment one can consider whether this private sector activity will eventually become viable, and if it will not, whether or not intervention can therefore ever be warranted. This market adjustment assessment should be used to illustrate how the proposed project will generate the market adjustment desired and over what time period. The approach presented below is based on the 'Steps Towards Market Adjustment' suggested by Scottish Enterprise guidance (1996).

Figure 5.1: Steps Towards Market Adjustment

1. <i>Is there a viable market for the project's goods/services?</i>	No- be extremely cautious about the prospects for successful intervention [go to 2]
	Yes- analyse the market to determine type and significance of market failures [go to 3]
2. <i>If not, could a viable market be created/stimulated?</i>	No- reject intervention unless sustainable benefits and market withdrawal can be achieved [go to 5]
	Yes- analyse why market is not operating effectively [go to 3]
3. <i>Why is there a problem of under-supply?</i>	Demand side problem- be extremely cautious about the prospects for successful intervention
	Supply side problem- assess the specific source and nature of the market failure [go to 4]
4. <i>Is the supply constraint significant?</i>	No- reject intervention unless sustainable benefits and market withdrawal can be achieved
	If not significant in terms of scale or knock-on effects, be extremely cautious about the prospects for successful intervention.
	Yes- define the significance. [go to 5]
5. <i>Can the supply constraint be removed in a sustainable way?</i>	No- reject intervention.
	Yes- consider project options. [go to 6]
6. <i>Is there a role for our organisation in removing the constraints?</i>	No- reject intervention.
	Yes- develop and appraise project options.

5.5 Using these tools to understand the scale of the market failure and the steps towards a market adjustment will inform the project developer of the prospects for a sustainable market correction, private sector investment and an exit strategy for the public sector. This is especially important in interventions like the GFO, where the market failure is significant and any possibility of sustainable market adjustment is at best long term.

Setting objectives and targets

5.6 The objective of the GFO as defined in the project approval paper was ‘**the attraction of film productions to the Grampian region**’. Guidance on the setting of objectives and targets suggests that in all cases they should be **Specific Measurable Achievable Relevant and Time-bound**. Considering the objectives and targets of the GFO against this guidance it is clear that there is some learning against all of these areas.

- Specific- the objective makes no comment or differentiation on which types of production activity it should be supporting and we would suggest that the GFO should by attempting to attract certain types of production over others

- Measurable- whilst we can measure by simple counting the number of productions attracted and the region and the monitoring currently accounts for the value of the production expenditure, if the goal is production expenditure, then this should be the objective e.g. the objective in year one is to attract £x of production expenditure
- Achievable- given that the objective is very narrow, it is easily achievable, perhaps too easily achievable, and therefore gives no sense of what the GFO needs to achieve to represent a reasonable return on investment
- Relevant- the objectives of the project should relate specifically to the needs and market failures of the project, but also specifically to the themes within the Smart Successful Scotland strategy.
- Time-bound- the objectives should account for the progress of the project over its lifetime and towards its goal. For example delivering £x of production expenditure in year one, £y in year two, etc. This should start from a recognised benchmark.

5.7 In addition to the points noted above, just as there is a need at the outset of the project to identify all of the costs and benefit in the project appraisal, the objectives in each of the areas will also need to be identified. The absence of objectives relating to coverage and promotion of the region, the development of local businesses in the film and TV industry and the development of local talent has ensured that these areas were both not the focus of the GFO and more importantly not monitored meaning that the impact on these agendas cannot be fully understood.

Monitoring

Monitoring is 'the systematic collection of financial and management information during implementation. It provides an essential source of information, indicating the extent to which objectives are being attained, and giving an early warning of any potential problems', HM Treasury (1997)

5.8 In the case of the GFO, project monitoring has been somewhat disjointed perhaps reflecting the change in staff and the arms-length operation of the GFO until recently. Whilst we acknowledge the significant recent improvements effective monitoring of a project can provide many specific benefits both to the project itself and the project development process. Including;

- understanding of progress against specific goals and objectives not only in terms of scale but also type of activity,
- early identification of problems and issues,
- in the case of the GFO, development of a network of contacts for TV and film production leads,

- assure funding partners that their resources are being used economically, efficiently and effectively,
- demonstrate accountability and ensure value for money in the use of public funds,
- identify when agency withdrawal from a project is appropriate through the correction of market failure issues and
- generate information that can promote the efficient management and delivery of future projects in the local area and demonstrate good practise (or not) in other development areas.

5.9 The monitoring of these performance indicators needs to be compared against some pre-determined benchmarks of the market situation prior to the project's delivery for that monitoring to be of the most value.

6 Conclusions and recommendations

6.1 The two main aims of this evaluation were to answer the following questions.

- To what extent has the Film Office been successful in achieving its objectives?
- Is there a more sustainable funding and partnership model for the Grampian Film Office?

6.2 In this final chapter we present our conclusions to each of these questions, recommendations for improving the situation and a brief appraisal of future options.

To what extent has the Film Office been successful in achieving its objectives?

6.3 The objective of the GFO, as set out in the project approval paper was simply to ‘attract film and TV productions into the Grampian region’. During the last year, the analysis indicates that the influence that it has had on attracting production activity has been fairly limited and that, the level of *additionality* has been low. We estimate that the net additional output generated in the area was just under £22,000. Around a third of this would be attributed to SE’s contribution. This represents a weak return on investment compared to, for example, support for tourism initiatives where a return of more than 1:20 would be expected.

6.4 There is also potential for the GFO to contribute to other SE objectives, for example by helping to develop skills and the promotion of Scotland and Grampian. Reviewing the projects supported and from consultations, we understand that the work of the GFO has not made a significant contribution to these areas.

6.5 Overall, we would argue that, on this basis the GFO has not been successful in achieving these objectives to date. There are many reasons for this, including the change of staff and the time required for the GFO to establish itself in the market in order to build up awareness among production companies.

Other issues

6.6 One of the issues to consider looking forward is the way in which support for GFO fits with SE strategy and Grampian’s own priorities. The way in which the GFO has operated to date and is likely to continue to operate focuses very much on attracting expenditure to the region, much as tourism activities do, rather than a focus on developing the sector. Even if the GFO did attract considerably more direct expenditure, it would still be important to question its fit with SE strategy.

- 6.7 The review suggests that the current operations of the GFO are not likely to be contributing to the productivity of local film and TV related businesses, nor is it clear that this is a sector that SE Grampian has identified as a priority.
- 6.8 In terms of its role in contributing to Competitive Place aims, there is no doubt that productions can act to raise the profile of Grampian, attracting investment and tourism. The type of productions attracted to Grampian, to date, by the GFO have not generated this type of profile. We understand that this is likely to remain difficult to achieve.
- 6.9 On strategic grounds, then the activities of the GFO as currently delivered, do not appear to fit well with SE's broader aims in relation to generating long term increases in productivity and gross value added. To achieve this the GFO would need to focus on the development of the TV and film production sector and on ensuring that the activities contribute to the area's profile. This would exclude, for example attracting car advertisements. It would require a strategy that focuses on the profile of the area and not on generating direct expenditure.
- 6.10 Finally, the rationale for SE funding relates to the market failures discussed at the start of the report. The support implies that the activities supported will help overcome this market failure and lead to *sustainable market adjustment*. There are two elements to this. The first relates to the, mainly tourism, businesses that benefit from the direct expenditure, who in theory should recognise the benefits and be more willing to fund this type of operation themselves. The second relates to generating profile. The focus of the GFO to date has meant that this has not been a priority (and has not been monitored) and the prospects to influence this appear limited. It will take some time, building up reputation and networks before the GFO could become a significant force in generating profile for the region. Consequently there is likely to be little opportunity for market adjustment and for a natural exit strategy

Options

Is there a more sustainable funding and partnership model for the Grampian Film Office?

- 6.11 This second question relates to both how the GFO can be developed and what SE's role should be. Although the previous section questions the impact to date of the Office and its role within SE's strategy, this is largely based on past performance. Is there a more sustainable model or option that could be adopted that would allow the Office to more effectively meet the requirements of SE's support? In the following section we consider some of the options and draw conclusions. The options are summarised in Table 6.1.
- **Continue funding on the same basis** - In our view this is unlikely to be appropriate. The performance to date does not provide confidence that the GFO will generate the level of new expenditure in the region that would be necessary to justify SE funding. If funding is

to continue, the operation of the GFO would have to change significantly to contribute to SE objectives, with an explicit focus on generating profile rather than new expenditure. It would require working more closely with the sector, assuming that this is identified by SE Grampian (SEGr) as a priority.

- **Further funding** - It is likely that doing this effectively would require considerably more investment in promotional activities and network building. Even then there is a considerable risk that opportunities that allow profile building could be limited. To address the market failure, the GFO would need to demonstrate how it will generate improved business performance within the sector and raise profile for the region. This would require a more pro-active service, generating its own leads rather than a reactive one.
- **Other forms of support** - Another option explored earlier was finding other forms of support. A quick review of the other regional film offices reveals that most are currently funded on an annual or three yearly basis. The Local Authorities are the most frequent funding partner, supporting nine out of ten of the offices, with five being supported entirely with Local Authority funding. Four are supported in part or entirely by the Scottish Enterprise network and three receive European funding. The partnership option with another regional film office received a mixed response from our consultees, but would create issues in terms of the size of the area to be covered, the fit with the regions brand which would be lost and the limited scale economies that might be generated.
- **Other sources** - The report also briefly considered alternative funding. As we noted in chapter two, the inherent market failures are long term and there is limited prospect of attracting private funding. Of the ten existing regional film offices there is little or no evidence that any have ever been able to leverage private sector investment either from local film industry firms or from potential locations. There are also no alternative funding partners in the public sector. Across the other film offices there is modest involvement and in kind support from local tourist boards. This option has already been explored with the Aberdeen and Grampian Tourist Board earlier on in the project and we do not believe that the situation is likely to have changed significantly for this position to alter. Similarly, European funding is not available to the GFO.

Table 6.1: Options appraisal

Option	Explanation
<p>Continue Scottish Enterprise Grampian funding- give it more time</p> <ul style="list-style-type: none"> GFO continues at current funding level with changes 	<ul style="list-style-type: none"> Through instigation of changes situation might improve Suggestion that gaining this market position can take 5 years, but limited progress to date Risk of no improvement and opportunity cost of funds Unlikely with current funding level and focus to contribute significantly to SE aims
<p>Increase funding</p> <ul style="list-style-type: none"> GFO operates at higher level of funding with changes 	<ul style="list-style-type: none"> Greater chance of making a difference to the sector and raising profile Potential to attract more productions Other more successful major film offices receive more funding But this would also require higher rates of return and a greater opportunity cost Key is whether this is a priority sector for SEGr – requires confidence that there are opportunities to influence productions and to generate profile
<p>Private funding</p>	<ul style="list-style-type: none"> CURRENTLY NOT A VIABLE OPTION
<p>Partnership with another regional film office</p>	<ul style="list-style-type: none"> Would allow services of GFO to be delivered at a lower cost, but unlikely to make substantial economies and savings Could mean less productions delivered in Grampian Would lose regional consistency with the brand for promotional angle Less control over the activities and objectives of the resulting 'super film office' in such a large partnership This is less likely to deliver SEGr objectives
<p>Remove Scottish Enterprise Grampian funding</p> <ul style="list-style-type: none"> GFO continues at lower level of funding with changes 	<ul style="list-style-type: none"> Based on past performance, there would be a modest reduction in activity. Service could continue, but more reactive with less marketing activity and therefore less additionality and impact SE would not be able to influence direction Annual saving of £20,000

Conclusions

- 6.12 We conclude that the past performance of the GFO has made a limited contribution to SE's objectives. Although a reasonable level of expenditure has been made by productions filming in Grampian, only a small proportion can genuinely be attributed to the GFO's activities. There has been no monitoring of its contribution to raising profile and there was no strong anecdotal evidence that the type of projects *attracted by GFO* or generally had directly raised the profile of the area.
- 6.13 On this basis, the return to SEGr to date from its investment has not been strong. However, it is important to make clear that there will be a lag time while the office builds up profile and the change in staff has also had an impact.

- 6.14 If the GFO is to contribute to SEGr's objectives, it will need to focus more on the additionality of its activities, how it contributes to the sector and to the region's profile. This would require:
- Changing the objectives of the GFO to better reflect the role that it could play in the sector relating to profile, skills and supporting local businesses
 - A stronger engagement with local industry, particularly businesses that are well established and have good networks within the TV and Film sector
 - Focus marketing activities on attracting certain types of productions. This will require more pro-active campaigning e.g. productions that reach the widest audience and support the brand values of the region, or productions providing opportunities for local talent
 - Monitoring of productions supported and expenditure secured by local film and TV businesses instead of tourist businesses.
- 6.15 Unless the development of this sector is a priority for SEGr, it is doubtful that the direct expenditure generated by productions attributed to GFO activities will, on their own, be sufficient to justify further funding.
- 6.16 Without greater investment, there must also be doubts as to how effectively the GFO can influence the content of productions and contribute to promoting Grampian to a wider audience.
- 6.17 If this sector is a priority, SEGr should consider, with partners, how these changes can be delivered and the additional investment that would be required. We do not think that SEGr should continue to provide funds on the same basis, without these changes. If the sector is not a priority we do not believe there is a strong rationale for SEGr's continued funding for this initiative.