

Regional Growth Fund Consultation

Response from Screen England the network of screen agencies

General comments

The creative content industries play a central role in the UK economy and generate significant revenue and profile for the UK abroad.¹ This is at a time when technology is offering new platforms, distribution mechanisms and revenue opportunities for the creative content industries.

Screen England is the network of screen agencies operating across England. We are in the process of re-configuring and consolidating the way in which we work. Importantly we have significant experience in developing and growing creative content businesses outside London. The agencies are small and effective; with key staff with in-depth industry knowledge, expertise, networks and contacts.

The screen agencies already work closely with the commercially focused private sector in linking together expertise, ideas and talent. We are well positioned to provide expert business support to creative companies; we have a wealth of experience across the creative industries and have become adept at raising and combining public and private investment. We provide a vital link to the international marketplace for local companies and make it our business to be knowledgeable on current business models and technology developments in the industry. These are all vital for the continued successful development of the creative industries; at a time when there is little doubt that they will play an increasingly important role in the future.² We shall endeavour to ensure that the creative sector is factored into the design of the new Growth Hubs as well as the new LEPs.

The creative sector comprises SMEs in the main. Historically this sector has lacked the capacity to unlock the entrepreneurial talent essential for economic growth. Therefore a clear mechanism is required for the LEPs to engage with the sector and for the sector to effectively access the Regional Growth Fund and other government initiatives, essential to economic prosperity.

¹ The UK is the third largest music market in the world, in 2008 one in ten albums sold in the US were made by a UK act, four of the top ten best selling artists were British. UK Music (2009)

With 2.5 million hours of television broadcast in 2008 and revenues of £11.2 billion the UK's television market is second only to the USA in revenues per capita. OFCOM (2008)

The UK film industry generates £3.7 billion in revenues and the UK is the third largest film market with UK films and co-productions accounting for 21% of releases and capturing 31% of the global box office. 5 out of the top 20 films globally in 2009 were of UK origin. In that year 17% of all major film awards went to UK films and talent. UK Film Council (2009)

The UK's Games market generated £3.3 billion in 2009 making it the 5th largest games market in the world.

² NESTA (April 2009) Attacking the recession: setting the agenda for a new economy.

In general terms the screen agencies welcome the consolidation of hitherto fragmented funding streams. We also welcome the principle of effective co-ordination and prioritising of funding to maximise outcomes for businesses and communities. An initiative such as this, which specifically incentivises private sector investors to invest in partnership with the public sector and local communities, is to be welcomed. We would further welcome specific incentives to encourage greater levels of private sector investment in growth industries such as the creative content industries. In addressing the key issue of market failure in relation to the creative industries there are two barriers to progression; that of a lack of access to finance and access to market.

The creative content industries offer significant potential for sustainable economic growth that can create new private sector employment. For newer industrial sectors such as the creative sector, public investment is vital in generating confidence in private investors and provides a source of risk mitigation for private investors new to the sector. To achieve the effective growth and impacts the sector is more than capable of delivering, encouraging more regular and higher levels of private finance into the sector is a key priority.

One of the stated objectives of the Fund is targeting areas and communities currently highly reliant on public sector employment, to make the transition to private sector-led growth and prosperity. In our experience, private, public and community partnerships are effective mechanisms for winning confidence through periods of transition.

In terms of the impacts that can be achieved through private, public and community partnerships, effective business practices can be designed to achieve economic, social and cultural impacts, thus achieving a balance and sustainability to growth achieved.

We note the suggestion that the Fund will operate for two years. Clearly this is a short timeframe to achieve transformational change, growth and evidence of new sustainable practice. Therefore we would caution against too ambitious a set of expected outcomes for such a timeframe, or set a more appropriate timeframe in order that ambitious changes can be achieved.

Consultation questions

1. Are there any benefits to be had from allocating different elements of the Fund in different ways?

We agree with the need for flexibility in the operation of the Fund. Also of paramount importance is the need to consider local priorities and enable projects to address local development needs. The use of a

range of financial instruments such as grant, quasi-equity, equity and loans according to the needs of particular projects, is welcomed.

It is vital that bids and projects can also reflect specific company lifecycle stages e.g. investment in start up, R&D or prototype development is as vital as investment in new product development or new market exploitation opportunities. Ensuring that financial instruments can match the stage of development of a company as well as the ambition of a project is key. The screen agencies are well placed to match financial instruments with companies and projects and in addition we have built a reputation for delivering excellent value for money; the right level of investment, at the right time to achieve intended outcomes.

Balanced growth can be achieved by utilising all of the talents of the creative content sector in partnership with LEP leadership. In our experience, local knowledge and specialist industrial knowledge and experience are pre-requisites for effective business growth. In the past government interventions have failed to harness the growth potential of the creative content industries. The Regional Growth Fund significantly is an excellent opportunity to effect change, if the ambition for it is to build new, sustainable businesses for the new economy. We would advocate a specific call for creative content and technology application businesses.

2. What type of activities that promote the objectives outlined above, should the Fund support and how should the Fund be best designed to facilitate this?

If the Fund is to invest in activity that can make the greatest impact on sub-regional growth then this will need defining carefully. There will be activities that should offer LEPs quick wins and the creative content sector will be well placed to deliver in this regard. However, not all sustainable growth will come through this mechanism. The potential to create long-term impact should be assessed and invested in, otherwise the Fund risks missing investing in innovative and enterprising activity at an early stage of evolution, arguably when projects of this nature, that have the potential to deliver impressive results, most need perhaps small cash injections. One such example is Screen South's investment of £4k seed finance matched with specific business support sustained over a year-long period in a burgeoning animation company which has directly resulted in a co-production contract worth £3m. In a fast moving industrial sector the flexibility to invest in both high growth and low burn sustainable enterprises should be retained.

In terms of determining local area priorities the screen agencies recommend using consistent and recognised datasets with a rationale and evidence provided by the LEPs for agreed priorities. We agree that needs and priorities will differ from area to area and that the Fund should be flexible enough to respond to different growth needs in different areas.

In terms of approach, as referenced above, to move away from a high dependency on public sector spending, the screen agencies would strongly encourage a measured transition through private, public and community partnerships. The screen agencies are highly responsive to the needs of the creative content sector and have delivered impressive sector growth. We are expert in making public money work hard and have achieved great value for money. Additional significant benefits have been achieved through smart investment strategies; active returns policies have led to recycling finance for reinvestment.

3. Do you think that these are the right criteria for assessing bids to the Regional Growth Fund?

As it is written it is unclear how support for social enterprise will be effectively integrated within the scope of the Regional Growth Fund given the Fund's stated objectives and criteria. Further, the value placed on social or for that matter cultural outcomes is unclear.

Whilst private sector jobs and significant economic growth may not usually be the driving force or primary purpose behind social enterprise, they can often be vital secondary benefits. Whilst the driver for the Fund is to meet an area's economic priorities, and the screen agencies positively support this focus, we strongly recommend at this early stage, that consideration is given to the potential for achieving social and cultural outcomes alongside the economic. In relation to the creative content sector, often economic and non economic outcomes can be simultaneously achieved and are rarely mutually exclusive in growing the sector.³ Thus in growing the creative sector, economic, social and cultural outcomes have previously simultaneously been achieved and can be moving forwards with the aim of achieving balanced growth.

The screen agencies welcome private sector partnership finance as part of the investment mix. To date we have been successful in achieving high levels of private sector leverage in relation to our investment portfolios. For example, EM Media the screen agency based in Nottingham, for its investment fund of £6m leveraged an additional £33.2m of predominantly private match finance for creative content projects that directly benefited the local economy and Northern Film and Media through its partnership

³ DEMOS/Holden J, (May 2006) The Big Picture, The Regional Screen Agencies building community, identity and enterprise.

with Venture Capital Fund North Star Ventures is making commercial investments into the creative sectors using a mix of public and private finance. The screen agencies are seen by public and private investors in the creative content sector and by industry as trusted brokers that can provide a quality hallmark, are trusted partners to invest alongside and expert at delivering specialist investment readiness activity.

In relation to requesting bids in excess of £1m to enable the investment to have a transformational effect, (whilst mindful of the restrictions of the timescale of the Fund referred to earlier), we welcome this ambition. The screen agencies are well placed to rise to this challenge. Our aim will be to ensure that finance reaches the parts of the creative content sector which are ripe for growth. In a sector, predominantly comprising SMEs, which lacks the large-scale, highly visible hard infrastructure of e.g. the transport or pharmaceutical sector, there must be a mechanism for ensuring finance can reach smaller more entrepreneurial entities to enable them to grow and to prosper. In our experience, capital finance alone, even in large sums, is rarely sufficient to enable the creative content sector to grow and flourish given the sector is largely built on a virtual rather than physical infrastructure. The screen agencies offer a strategic mechanism for engagement and distribution in this regard. Similarly the screen agencies offer a route through to investment in creative companies located in rural areas.

Whilst we welcome the assessment rigour of the Treasury Green Book, assessment, monitoring and evaluation activities must remain proportionate and relatively light touch to ensure a disproportionate amount of time and resource is not allocated to administration.

4. Do you think we should operate a two stage bidding process?

The screen agencies are experienced at managing a range of sources of finance and in investing in creative companies. We suggest that the process or processes selected must be appropriate and fit for purpose. Employing a 'one size' process for all investments regardless of size or purpose can sometimes work against the interests a process it is set up to serve, given the tremendous variations in the personnel and capacity of, for example, a university compared to an SME. A heavy or bureaucratic investment processes would not be welcomed. The level of investment should determine the process. Additionally we recommend a faster track process be available to ensure the Fund can be responsive to need. In our experience, a key requirement for SME investment is response time.

In terms of a two-stage process, clearly it is more preferable that only projects with significant potential for investment incur the time and cost required for working up a full bid.

5. Should a Regional Growth Fund become a long-term means of funding activity that promotes growth?

The screen agencies suggest that to effect transformational change, funding commitments must be longer-term and that there will be a natural limit to the industrial growth and change that can be effected in a two- year timeframe. Therefore the screen agencies would agree with the need for a mechanism that looks beyond the short-term.

Whilst we strongly support the need for locally available finance to stimulate the growth of companies and fast moving sectors such as the creative sector, we recommend that industrial sector development must be seen both within a local and national framework to ensure that sector development and performance can be effectively aggregated. We also recommend that the strategy for the development of the creative content sector cannot be piecemeal and the ability to invest in the sector nationally as well as locally could easily be available through the screen agency network. Such a strategy would have greater impact than only investing on an area by area basis.

In summary

Screen England welcomes this opportunity to respond to this consultation and we look forward to working with you further on shaping the operation and priorities of the Regional Growth Fund.

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