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AGENDA ITEM 9

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET**

28 JANUARY 2022

REPORT OF HEAD OF CREATIVE PLACE

SCREEN INDUSTRIES DEVELOPMENT PROGRAMME

SUMMARY

In early 2021, the BBC published a pan-UK commissioning strategy – ‘The BBC Across the UK’ – and announced its commitment to increase out-of-London production by 10% by 2028 (a spend value of £700m). This shift will ensure increased representation of communities throughout the UK across all BBC platforms and will increase commissioning spend in the nations and regions.

Following engagement led by Northern Film & Media, a new North East Screen Industries Partnership (NESIP – comprising combined and local authorities from across the wider region) signed an MOU with the BBC in September 2021 which sets out the shared ambitions for audiences, creators and the wider screen industries in the North East (Annex 1).

Through this MOU, the BBC has committed to spend a minimum of £25m on production and skills development in the North East over the next five years. NESIP has made a commitment to jointly invest £11.4m over the same five-year period to deliver a new Screen Industries Development Programme which will maximise opportunities for significant sector growth by building a critical mass within the screen industries sector, to enable the development of a thriving and sustainable ecosystem which is not reliant on a single commissioner or broadcaster. This regional commitment equates to an investment contribution of £949,985 per Local Authority area. The Tees Valley investment required is therefore £4,479,927 with contributions from the Creative Place Programme, the Business Growth Programme and the Education, Employment & Skills Budget. Specific allocations from each programme will be determined in the detailed business case, dependent on the activity to be delivered. This investment will act as the lever to secure further potentially significant inward investment.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Approves the allocation of £4,479,927 from the Investment Plan to enable the delivery of the NE Screen Industries Development Programme to the end of the 2026/27 financial year.

- ii. Delegates approval of the detailed NE programme business case to the TVCA Group Chief Executive in consultation with the TVCA Management Group, Section 73 Officer and Monitoring Officer in line with the Assurance Framework.

STRATEGIC FIT AND BENEFITS

1. The Strategic Economic Plan (SEP) identifies 'Digital and Creative' and 'Culture and Leisure' as two of seven key growth sectors which are critical to "*boosting competitiveness and diversification, improving economic resilience and providing the range of jobs needed to ensure that growth is both widespread and inclusive*". Tees Valley is 25% below the national average with regard to jobs and businesses, which equates to a £4.3bn GVA gap. The SEP states that, between them these sectors account for 29,380 jobs, 2,410 enterprises and £712m of GVA.
2. The SEP recognises the vitality of cultural activity to the place agenda and the growth of the visitor economy and identifies the strong link between the culture sector and the digital and creative industries ecosystem. Enterprises within these sectors account for circa 14% of the business base of the Tees Valley creating the second largest cluster after 'business and professional services'. It employs thousands more than other sectors such as logistics, process and chemical clusters.
3. TVCA has undertaken extensive analysis as part of the business case development for the Creative and Visitor Economy Growth Programme, which will be launched in January 2022. This Programme will deliver the £20m identified in the Investment Plan (2019) 'to support the development of Tees Valley wide cultural delivery' in order to create 2,000 new jobs and an additional £126m GVA in the economy, attract new domestic and international visitors to the Tees Valley and increase visitor expenditure into Tees Valley.
4. Whilst the cultural and creative sector in Tees Valley is both smaller and less clustered than its equivalent in other UK city regions, mapping of the sector reveals some emerging clusters of activity, including Screen Industries. Investing in this sector as a priority has the potential to achieve better conditions for cultural industry cluster growth, enabling a mature and sustainable cultural ecosystem for the Tees Valley. This will maximise reach, relevance, and impact in the form of business growth (increased turnover, employment and productivity), supply chain development, talent & skills development and inward investment.
5. The BBC's recent commitment to invest £25 million in the NE presents an opportunity for Tees Valley to capitalise on those strengths, build on the three-year programme of screen industries development which has been delivered in across Tees Valley since 2018, and maximise its advantage as a location for new production at The Northern Studios in Hartlepool.
6. Regional data on the sector and its impact is currently limited. Development of robust regional data will be critical as we move forward. In the interim, data and research commissioned by the BBC, British Film Institute and the Liverpool City Region Film Office has been used to identify anticipated economic impact as follows:
 - 6.1. BBC spend in the Nations and Regions has an economic multiplier effect of 2.63 for every £1 of spend.
 - 6.2. The average medium-sized production spends the majority of its budget (circa 67%) on 'non-screen' activities, including construction, professional services, logistics and hospitality & leisure.

- 6.3. In the Liverpool City Region £7 was generated in the wider economy for every £1 investment via the production fund, which drives demand for and supports the growth and sustainability of local supply chains, talent development pipelines and the visitor economy.
7. As an illustration of the impact of one area of delivery within the region, in the first year of a three-year project with Northern Film and Media in Tees Valley (Jan – Dec 2019), approximately £1.4m was spent by visiting productions in the Tees Valley with a total of 62 days filming. Film and television delivered 16,086 days of work for people in the area employed as actors, supporting artists and crew. This has been calculated by the project as equivalent to 94 full-time jobs against a baseline of zero as, prior to the commencement of the project, Tees Valley-specific production data was not captured. Data provided by Northern Film and Media identifies a range of outcomes as part of the Tees Valley project to date:
- 7.1. £1.4m production spend in 2019;
 - 7.2. An increase in crew of 86% (57 experienced crew now available);
 - 7.3. An increase in filming locations ready for filming of 62% (96 locations);
 - 7.4. 165 entry professionals supported;
 - 7.5. 85 businesses supported; and
 - 7.6. 436 attendees at events.
8. It is important that the region is mobilised to take advantage not only of the near-term opportunity presented by BBC investment and excess demand for studio space for new film and television productions across the UK, but also of the potential to develop its infrastructure, skills base and supply chains in a way which will address future opportunities in content creation across 'converged' media channels.

PROGRAMME DESCRIPTION

9. The Screen Industries Development Programme is focused on economic recovery, regeneration, and growth through the sustainable development of the screen industries. This will be achieved through activity which:
- 9.1. Strengthens infrastructure;
 - 9.2. Grows the sector: job creation and business creation, growth, and resilience;
 - 9.3. Develops, attracts and retains talent;
 - 9.4. Positively raises the profile of the region and builds wider awareness of the activity and offer of the screen industries; and
 - 9.5. Supports the Combined Authority's agenda to attract inward investment.
10. **Programme Activity:** There are five inter-dependent pillars of the proposed programme:
- 10.1. A sustainable and well-funded screen agency & production service;
 - 10.2. Production development and support fund;
 - 10.3. Talent skills pipeline;
 - 10.4. Business development; and
 - 10.5. Infrastructure support.
11. **Programme Objectives:** Informed by discussions with regional authorities, four core objectives have been identified as being essential for any co-investment to deliver against:
- 11.1. Secure significant new National Broadcaster investment;
 - 11.2. Ensure benefits have positive impacts for residents in all parts of the region;

- 11.3. Build on (rather than duplicating) existing and sub-regional strengths; and
- 11.4. Establish a sustainable and thriving screen industries ecosystem.

12. The following principles will underpin programme activity:

- 12.1. A co-ordinated approach to delivery of NESIP activity will be taken across the region to ensure maximum impact from the resources available, which will reflect geographic access and balance, be customised in relation to relative levels of existing activity, and open access across the region will be ensured.
 - 12.2. Financial contributions should be equitable across the region, reflecting the overall economic impact expected to be generated, and confirmed on the basis of 12 local authority areas.
 - 12.3. There should be equitable access to delivery across the region.
 - 12.4. All programmes will be inclusive of the whole region, unless eligibility requirements for externally funded programmes such as ESIF and UKSPF dictate geographic restrictions.
 - 12.5. Activity is not expected to be directly replicated in all 12 local authority areas across each element of the programme.
 - 12.6. A robust and consistent approach to data collection and analysis will be developed to facilitate assessment and communication of economic impact and will be in place in time to inform region-wide discussions at the review point.
 - 12.7. Transparent collective governance arrangements will ensure clear access to decision-making by funders and all appropriate interested parties.
 - 12.8. Decision-making arrangements and mechanisms will be clearly set out in relation to specific agreed functions.
 - 12.9. Operational arrangements, including decision-making mechanisms, will reflect the fast-paced nature of the industry which will require investment decisions to be able to be taken as quickly as possible.
 - 12.10. Board membership will include funders and industry professionals, reflecting the breadth of the screen industries.
13. A review will be carried out prior to April 2023 to examine in detail performance to date, financial commitments, economic impact, and the effectiveness of governance structures. Guiding principles will also be reviewed at this time.

FUNDING

14. NESIP undertook an options analysis to consider the amount of investment required:

- 14.1. Option 1 - £5m investment over five years;
- 14.2. Option 2 - £11.4m investment over five years;
- 14.3. Option 3 - £25m investment over five years.

15. Option 2 was chosen as it:

- 15.1. Would appropriately resource NFM to enable dynamic programme development and management, aligned with an enhanced spend across all programme strands, ensuring effective stimulus and response for a larger-scale production fund which competes effectively in the wider UK market;
- 15.2. Would yield a return of approximately £106m over the initial five years of the programme and it is considered that this model also has the potential to demonstrate sufficient market demand (including through the creation of clusters) to lever further inward investment and inform localised interventions; and

15.3. Provides the lowest level of investment necessary to secure enhanced BBC commissioning spend and catalyse further inward investment outside of the BBC's activity.

16. Table 1 shows the detailed breakdown by financial year of the different elements of the programme: production service, production fund, skills, business support, screen office, pop-up studio strategy, marketing. These amounts are indicative at the moment and will be finalised through the business case.

Table 1 (£mil)

Activity	Oct 2021 to March 2022	22/23	23/24	24/25	25/26	26/27	Totals
Production Service	£0.07	£0.24	£0.25	£0.25	£0.25	£0.25	£1.31m
Production Fund	£0.00	£0.53	£0.52	£1.05	£1.05	£1.05	£4.20m
Skills	£0.00	£0.27	£0.27	£0.28	£0.26	£0.26	£1.34m
Business Support	£0.00	£0.35	£0.36	£0.36	£0.37	£0.37	£1.81m
Screen Office	£0.05	£0.41	£0.41	£0.42	£0.43	£0.44	£2.16m
Marketing	£0.04	£0.10	£0.10	£0.10	£0.01	£0.11	£0.46m
Totals	£0.16m	£1.90m	£1.91m	£2.46m	£2.37m	£2.48m	£11.28m

17. The scale of the investment from the BBC is such that no one single part of the region could meet the requirements; the expectation is that all areas across the region and their businesses and residents will benefit; there is not a consistent level of data across the region to enable an industry-specific split to be proposed at this stage. The match will therefore be split equally between the twelve LA areas, with TVCA funding 5/12's as shown in table 2:

Table 2

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL
Tees Valley	£69,294	£792,405	£803,263	£1,026,789	£1,025,486	£1,032,692	£4,749,927
LA7	£97,011	£1,109,366	£1,124,568	£1,437,504	£1,435,680	£1,445,768	£6,649,898
TOTAL	£166,305	£1,901,771	£1,927,831	£2,464,293	£2,461,166	£2,478,460	£11,399,825

18. Due to varying governance arrangements and financial planning constraints from various MTFP periods, not all Local Authority partners can commit to the full 5 years of funding at this stage. The programme will therefore include regular review points to examine in detail performance to date, financial commitments, economic impact, and the effectiveness of governance structures.

19. During the first full financial year of activity (2022/23) a consistent approach to data collection will be developed. This will facilitate assessment of economic impact but also could inform the review period to assist NESIP to make informed decisions regarding activity and financial commitments.

20. For the TVCA contribution, it is envisaged this will be made up of contributions from programmes such as the Creative & Visitor Economy Growth Programme, Business Growth Programme and Education & Skills Programme. Specific allocations against each programme will be determined in the detailed business case, dependent on the activity to be delivered. A proportion of this allocation in future years is subject to the Combined

Authority securing the projected funding through UKSPF, either through a single bid or through a partnership bid with NESIP.

ASSURANCE

21. Funds from TVCA will be subject to a Funding Agreement with NFM which is accountable for managing all Combined and Local Authority funding. This agreement will also include a MOU between NFM and TVCA, as the Combined Authority will be providing further support through administering grants to ensure appropriate due diligence is in place. The Agreement and MOU will ensure our funding is used in line with TVCA's assurance framework to ensure a clear, consistent, open, and transparent process, with the objective assessment of proposals against clear and relevant criteria and frameworks to achieve value for money.
22. Cabinet approval will commit the funds to the Programme and will allow the detailed business case to progress. The business case approval would be delegated in line with the Assurance Framework to the TVCA Group Chief Executive in consultation with the TVCA Management Group, Section 73 Officer and Monitoring Officer.
23. TVCA is developing the business case alongside the North of the Tyne Combined Authority, on behalf of NESIP, with delivery anticipated from April 2022.

FINANCIAL IMPLICATIONS

24. The total programme commitment required is £11.4m from NESIP partners over a five-year period. An investment in this programme will contribute to the delivery of several TVCA strategic priorities, therefore the Tees Valley contribution of £4,749,927 will be funded through the Creative and Visitor Economy Growth Programme, Business Growth Programme and Education & Skills Programme as identified in the Combined Authority's Investment Plan.
25. Specific allocations from each programme will be determined in the detailed business case, dependent on the activity to be delivered. A proportion of this allocation in future years is subject to the Combined Authority securing the projected funding through UKSPF. However, depending on the Government's approach to allocating UKSPF, there may be an opportunity to bid for the NE programme.
26. There is strong potential for the programme to leverage inward investment from other funding bodies, including commissioners and broadcasters as demonstrated by the recent BBC investment of £25m.
27. A spend profile for the life of the Programme will be presented in the business case.

LEGAL IMPLICATIONS

28. There are not considered to be any legal implications arising from the recommendations in this report. However, there may be legal implications for individual projects and appropriate legal advice will be sought as required.

RISK ASSESSMENT

29. The Programme is categorised as medium risk due to differing governance and financial arrangements across the partnership. A detailed risk register will be developed alongside partners as part of the business case. The main risk is the return on investment for each

individual area but this is mitigated (to a degree) by the scaling up of the Screen Agency which has a strong track record of place-based sector growth (Tees Valley Screen). For Tees Valley, the risk is further mitigated by the Film Studios - a major asset for the NE as a whole.

30. Individual projects and schemes will be subject to their own risk management processes.

CONSULTATION AND COMMUNICATION

31. The Programme, as recommended, has been informed by and developed through close consultation with:

- 31.1. Northern Film & Media;
- 31.2. NE Screen Industries Working Group;
- 31.3. Tees Valley Chief Executives;
- 31.4. Representatives from Northern School of Art and Northern Studios; and
- 31.5. Representatives from North East Culture Partnership.

EQUALITY & DIVERSITY

32. This programme will be committed to championing equality and diversity, both through the growth and development of the workforce and through the development of inclusive, accessible and relevant interventions and working practices. The BBC is keen to work with NESIP on equality and diversity as a specific focus which will be 'designed in' from the outset of the partnership.

LOCAL ENTERPRISE PARTNERSHIP

38. This item has been considered at the LEP meeting in advance of it coming forward to Cabinet.

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