

Dawn Bowden AS/MS
Dirprwy Weinidog y Celfyddydau a Chwaraeon, a'r Prif Chwip
Deputy Minister for Arts and Sport, and Chief Whip



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref DB/0598/21

Delyth Jewell MS
Chair
Culture, Communication, Welsh Language, Sport and International Relations Committee
Welsh Parliament
Cardiff Bay
CF99 1SN

5 October 2021

Dear Delyth,

IMPACT OF THE SALE OF BAD WOLF

Thank you for your letter of 23 September 2021 to the Minister for Economy, Vaughan Gething MS regarding the impact of the sale of Bad Wolf. I have responded to your questions below.

During the Committee meeting you noted that over £8.5 million has been paid out against the original £9 million award to the company. Could you confirm how this funding was split between grants or loans?

The £9m agreement with Bad Wolf consisted of a £4.5m repayable advance which could be commuted into grant on achievement of key outputs (initial £54m Welsh spend) and a £4.5m grant, payable on achievement of key outputs (a further £54m of Welsh spend taking the total to £108m). An additional £25m Welsh spend requirement was agreed following the purchase of the studio, taking the total Welsh spend to be achieved in order to satisfy project terms, to £133m. To date, £8.5m has been paid out against the original £9m award, and the company has evidenced a Welsh spend of £127.9m. Under the terms of the agreement, the original £4.5m repayable advance has been commuted to a grant. The remaining Welsh spend claims are currently being verified by officials, with a view to paying the remaining grant balance. It is therefore anticipated that the project will have met all spend targets and conditions of grant by the end of the 2021/2022 financial year.

Does the Welsh Government expect to recoup any outstanding funds, be it in the form of loans or grants, when the sale of Bad Wolf is completed?

The £4.5m repayable advance was subject to interest, which accrued until such time as Bad Wolf achieved the initial £54m in Welsh spend. Bad Wolf reached this £54m target last year, at which point the interest accrued had reached £1.06m. A repayment plan has been agreed, and Bad Wolf are up to date in terms of making regular repayments towards closing

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

the balance. Total repayment received to date is £257k. The final instalment is due in August 2025.

Can you provide details of any other current contractual agreements between the Welsh Government and Bad Wolf, and the extent to which these commitments have been fulfilled?

In April 2021, Creative Wales entered a separate agreement outside of the original agreement, to secure the production of the third series of 'His Dark Materials' to Wales. Under the terms of this agreement, Bad Wolf is required to evidence a Welsh spend of £21m to achieve a grant award of £2m. Filming is currently underway, no payments have been made under this agreement as yet.

Can you confirm what arrangements exist, if any, between the Welsh Government and Bad Wolf with regards to the ownership of Wolf Studios Wales? If any arrangements exist, what income has this generated for the Welsh Government in the past five years?

To further support the original Bad Wolf investment and the long term future of Bad Wolf in Wales, the Welsh Government purchased Buildings 1 and 2 Trident Park, Cardiff at a market value of £6.1m (ex VAT), and undertook associated fit out works in order to let the facility on commercial terms to Bad Wolf Studios Wales Ltd (BWSW) for use as a television and film studio. Bad Wolf's lease commenced on 31 March 2017. The terms of the lease are on market terms.

During the Committee meeting, you noted the positive supply chain impact that Bad Wolf has had on the Welsh economy. Could you provide an estimate of the number of direct and indirect jobs created as result of Bad Wolf's operations? Could you also provide an estimate of the total economic impact of Bad Wolf on the Welsh economy?

Bad Wolf has commissioned an economic report, which is expected to demonstrate the impact and growth it has had on the sector. This report is expected to be published in October and will be shared with the Culture, Communication, Welsh Language, Sport and International Relations Committee. As a result of Welsh Government financial support over £133m of production expenditure is projected to have been achieved to the benefit of the Welsh economy.

Can you confirm the amount (both in pounds and as percentage) of Bad Wolf's "below the line" production budget spent in Wales over the last five years?

As of 29 September 2021, £127.9m Welsh spend has been verified to date against grant that has been paid out. Of this total, circa £103.6m (81%) has been determined as 'below the line' spend.

What commitments will you be seeking with any potential owner of Bad Wolf that it will maintain its Welsh operation, including maintaining its operations at Cardiff Bay?

When an announcement is made regarding the new owners of Bad Wolf, Creative Wales officials will seek an early meeting to discuss the new owners' intentions for Wales and plans for the studio. We do not currently have any reason to believe that the sale will mean Bad Wolf exiting Wales.

Do you have any concerns arising from the sale that the potential new owner may choose to move production to other low cost locations or those areas which may provide better funding incentives?

All production is inherently mobile, hence whilst many regions of the UK and across the world offer incentives. However, Bad Wolf has built an industry around itself in Wales, with key suppliers and crew that are trusted to work on its high-end productions and a world class studio facility. The recent announcement that Bad Wolf will be collaborating with Russel T Davies on the next season of 'Doctor Who', also provides some assurances that it will maintain a large proportion of its operations in Wales. Creative Wales already has an attractive incentive through its production funding offer and combined with the UK Tax Credit is competitive, and has been successful in attracting other major studios and productions to Wales, such as Netflix and Disney.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Dawn Bowden'. The signature is fluid and cursive, with a prominent 'D' at the start and a long, sweeping tail at the end.

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