

Yr Arglwydd Elis-Thomas AC/AM
Y Dirprwy Weinidog Diwylliant, Chwaraeon a Thwristiaeth
Deputy Minister for Culture, Sport and Tourism



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA-P-DET-2297-19

Bethan Sayed, AM
Chair – Culture, Welsh Language and Communications Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

28 June 2019

Dear Chair,

CULTURE, WELSH LANGUAGE AND COMMUNICATIONS COMMITTEE'S REPORT
FILM AND MAJOR TELEVISION PRODUCTION IN WALES
RESPONSE TO THE REPORT

I have pleasure in enclosing a copy of the Welsh Ministers' response to the above report which will be laid before the Table Office.

On behalf of the Cabinet, I would like to thank you and the Committee for the careful and considered way in which you undertook the investigation and produced the report.

The relevant Additional Accounting Officer, Andrew Slade, Director General Economy, Skills and Natural Resources, will be pleased to provide any further information, explanation or detail if required, following this response.

Yours sincerely,

Yr Arglwydd Elis-Thomas AC/AM
Y Dirprwy Weinidog Diwylliant, Chwaraeon a Thwristiaeth
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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.

Written response by the Welsh Government to the Culture, Welsh Language & Communications Committee's report following the committee's inquiry into Film and Major Television Production in Wales

The Welsh Government welcomes the findings of the report and offers the following response to the seventeen recommendations contained within.

Recommendation 1

The Welsh Government should publish a strategy which sets out their vision of how Wales' screen industry can:

- be financially secure;
- develop small businesses to take advantage of larger scale productions;
- attract productions with a range of values and cultural diversity;
- support Welsh language and other distinctly Welsh productions with a view to increasing the visibility of Welsh language and culture on the international stage;
- take responsibility for identifying and mitigating skills gaps through formal and informal learning; and how work and learning opportunities will be promoted to ensure they can be accessed by a diverse talent pool.

Response: Accept

A robust strategy to support our Screen industry will be a vital part of the wider plans for Creative Wales. Maintaining growth in the screen industry and continuing to position Wales as a top location for film and television production will remain a priority for Welsh Government's support for the creative industries. However Creative Wales will extend our support to other sub sectors, such as commercial music and digital content, and we will focus on promoting from the grass-roots, prioritising the promotion of Welsh culture and Welsh talent.

In recognition of the need for a more rounded approach that moves to build the Welsh industry from the roots up, our strategy will prioritise

- skills and supply chain development
- improving networks, partnership working and access to specialist industry-led advice
- better exploitation of social media and digital platforms for service provision
- improving creative businesses' ability to create, retain and exploit their intellectual property in the Welsh Economy

We will also be refreshing our funding offer to take into account supporting the broader benefits that the sector offers – as outlined above - including considerations

around widening access, fair work conditions and improving diversity, telling Welsh stories and showcasing our language and culture on a global stage.

Recommendation 2.

The Welsh Government must ensure that Creative Wales:

- has a strong formal engagement with industry experts; including union representatives;
- is sufficiently resourced;
- is flexible enough to take informed risks and
- has a clear and transparent policy on funding.

Response: Accept

My officials are currently working on future governance arrangements, stakeholder engagement and future funding for the sector.

Officials from the current creative industries team have held a series of stakeholder engagement meetings and workshops to discuss these priorities with the sector as we want to ensure our focus is on the issues where we, as government, can make the most difference. The Team has engaged with over 120 companies, public bodies, third sector organisations and unions, to include 29 one-to-one meetings with key organisations and a breakfast for high-level stakeholders with the Director of Culture Sport and Tourism.

Creative Wales will be structured to take on board the best feedback from the sector, and we will establish and support an industry representative group, selected from within trade and industry to speak for the sector and its best interests.

Recommendation 3.

The Welsh Government's Ministerial Advisory Board should include a representative of the creative industries.

Response: Accept

We are currently determining the governance structure for Creative Wales. However the Ministerial Advisory Board already includes Justin Albert Director, National Trust. Justin has an extensive background in the Creative Industries having been a documentary filmmaker and company director of Transatlantic Films.

Recommendation 4.

The Welsh Government should explore a scalable funding model which allows for productions of all sizes.

Response: Accept

Welsh Government funding is already available to productions of all sizes however, we do recognise the need to simplify our funding support for the creative industries to ensure that we are able to respond to the fast pace in which this sector moves.

Funding processes will be tailored to be proportionate to the individual projects and funding will be available for a wider range of initiatives in the future.

All of our funding will be delivered through an economic contract that ensures we get public good in return for public investment, a something for something approach.

Recommendation 5.

The Welsh Government's funding policy should be designed to build a sustainable Welsh screen industry. This includes exploring the option for requiring funding recipients to enter into co-production agreements with Welsh companies. The requirement to spend at least 35% of the "below the line" production budget on local suppliers, cast, crew and facilities should apply to businesses registered and based in Wales

Response: Accept,

The requirement to spend 35% of the below the line production budget was a condition of the Media Investment Budget, which is currently dormant whilst we devise future funding models under Creative Wales.

Both below the line and above the line can be considered Welsh Spend. In fact to ensure more Welsh talent is seen on screen internationally, my officials are looking at how we can factor in the showcasing of Welsh talent to how we evaluate future requests for funding.

Recommendation 6.

The Welsh Government should explore a simpler model for funding applications which is attractive to producers and co-investors and meets due diligence requirements.

Response: Accept

We intend to simplify our funding support for the creative industry and ensure that we are able to respond to the fast pace in which this sector moves.

Capital funding will continue to be delivered through an economic contract that ensures we get public good in return for public investment.

Recommendation 7.

The Welsh Government should set out a clearer funding policy on Welsh language productions which should be aligned to the Cymraeg 2050 strategy.

Response: Accept

This will be factored into our future funding strategy for Creative Wales.

We have seen major progress in the Welsh language being promoted and recognised as an international language, with *Un Bore Mercher*, *Y Gwyll* and *Bang* being successfully sold worldwide, and we would wish to build on these successes.

Recommendation 8.

S4C should set out their priorities for commissioning Welsh language films and how they have accessed all available funding to do so.

Response: N/A

It is not for Welsh Government to respond to a question directed to S4C.

Recommendation 9.

The Welsh Government should require Creative Wales to draw up a skills strategy which:

- provides information on the skilled workforce in Wales' screen industry;
- audits the training and work placements being offered at all levels of education, including schools;
- identifies how skills gaps will be filled and
- seeks input from unions and employers on the future skills needs of the industry.

Response: Accept

It is apparent that any growth momentum in the screen industry cannot be maintained unless there is support for developing industry skills and improving the talent pipeline.

With the setting up of Creative Wales comes an opportunity to review and improve the provision of support for skills and training in the film and TV sector in Wales. Since 2015, industry growth has changed the landscape considerably and work in this area needs to be prioritised to maintain and accelerate industry growth. There is a clear argument for Creative Wales, as an economic development body, to involve itself in skills support. The economic success of the film and TV industry in Wales is dependent upon the skills of the people working in it.

We know that failing to have enough skilled crew to fill the demands of the industry locally will result in either crew being brought in from England or other areas, or productions filming elsewhere and Wales – in either scenario - losing the economic benefits.

Under Creative Wales we will:

- Work with Welsh Government colleagues across portfolios, but in particular with Skills and Education colleagues.

- Work closely with industry through relationships and networks to identify short and medium term skills requirements
- Develop a framework of specialist support providers to deliver timely and responsive training to fill gaps;
- Use networks and events to bring skills and talent into Wales;
- Ensure grassroots talent provision (and its infrastructure) is fit for purpose by working in partnership with the relevant organisations, and delivering through industry specialists where required. Develop bespoke support – especially for developing the entrepreneurial skills required when working as a freelancer.
- Bring together information on industry provision in a central point, ensuring fairer and more equitable access to talent and skills development programmes and initiatives.

Recommendation 10.

The Welsh Government should ensure that funding for major productions includes requirements to hold at least one local audition.

Response: Accept

The Welsh Government will consider including this as a condition of its production funding under Creative Wales.

Recommendation 11.

The Welsh Government should investigate the feasibility of introducing a quota for local on-screen talent for companies in receipt of funding.

Response: Accept

The Welsh Government will consider including this as a condition of its production funding under Creative Wales.

Recommendation 12.

The Welsh Government should clarify how their apprenticeship schemes can be utilised by the screen industry.

Response: Accept

Creative Industries officials will work with industry and colleagues in Skills, Higher Education and Lifelong Learning at Welsh Government on this matter.

Recommendation 13.

The Welsh Government should provide appropriate funding to support film festivals in Wales via a dedicated funding stream. This funding should be widely promoted and

should include bursaries for film makers from Wales to attend international film festivals.

Response Reject

Whilst there isn't a dedicated funding stream for Film Festivals, government support is already available from a range of sources, including our Major Events Unit and the Overseas Business Development Visit grant (OBDV). The latter can be accessed by film makers from Wales to attend international film festivals to enable them to reach markets which otherwise would not be possible. It is strictly to win new business and not to service existing contracts. The OBDV can support up to 50% of the visit cost to a maximum of £10,000 and can contribute toward travel and accommodation, stand space (not exhibition stand) and freight.

That notwithstanding, we will investigate the feasibility and potential benefits of bespoke support for film festivals in Wales. It is important to identify demand for film festivals in Wales and whether Welsh Government support can assist them to become self-sustaining and not heavily reliant on the public purse.

Recommendation 14.

The Welsh Government should publish set criteria for the outcomes they are supporting when providing funding for film festivals.

Response: Reject

As per response to recommendation 13, the Welsh Government will investigate the feasibility of funding support for film festivals in Wales.

Recommendation 15.

The Welsh Government should ensure those working in the screen industries are included in international trade missions and take every opportunity to promote our industry internationally.

Response: Accept

Wales already has an international reputation as a centre of excellence for production and high end TV drama in particular, with major studios such as Fox, NBC Universal Netflix and HBO already choosing Wales for their productions.

Wales also has an established strong cultural identity portrayed through Welsh Language productions such as *Hinterland*, *Keeping Faith* and *Hidden*, but also through internationally renowned productions such as *Doctor Who* and *Sherlock*. These productions promote our world class creative talent, crew and services, but also the wide variety of locations on offer to film and television productions, from epic mountains to stunning coastline, industrial landscapes to remote cottages and historic castles to modern office blocks.

The Welsh Government therefore takes every opportunity to promote Wales' screen industries and its creative talent at all the major international Film and TV festivals

including Cannes Film Festival, Toronto International Film Festival , Miami International Film Festival, Berlin International Film Festival, American Film Market, MIPCOM, MIPTV, Realscreen, and Annecy International Animation Film Festival.

The Welsh Government ensures that there are opportunities for Wales' creative talent to access support to attend these market and all international trade missions via our own trade support and that from the Department for International Trade.

Through the establishment of Creative Wales later this year we will take a lead role in the marketing and promotion of the Welsh creative industries to the world via a new Creative Wales brand. This brand will promote the contribution that the creative industries sector makes to our global reputation and success and also as a great place to visit, work and live.

Recommendation 16.

We recommend the Welsh Government provides greater clarity and transparency in its communication with the Committees of the National Assembly for Wales when discussing commercial ventures similar to the agreement with Pinewood in future.

Response: Accept

The Welsh Government will openly provide greater clarity and transparency in its communication with the Committees of the National Assembly for Wales when discussing commercial ventures similar to the agreement with Pinewood in future.

However, there may be instances where the Welsh Government, in consultation with business may make the decision not to disclose financial information, for example on the grounds that it would prejudice the commercial interests of that business. The public interest in exempting information could outweigh the public interest in disclosure.

According to the Code of Practice issued by the Lord Chancellor under Section 45 of the Freedom of Information Act, the Welsh Government must consult anyone whose interests may be affected by disclosure of information. Therefore we would have to consult and obtain the views of businesses on whether the information we hold regarding their business should be disclosed into the public domain or withheld.

Recommendation 17.

The Welsh Government should update the Committee with:

- The latest figures for spending and return on investment from the Media Investment Budget;
- The rental income being received from Bad Wolf and how it compares with any ongoing costs incurred by the Welsh Government, and
- Whether the Wentloog site is now operating at a profit to the Welsh Government or not.

Response: Accept in Principle

- Welsh Government has provided the latest figures for spending and return on investment for the Media Investment Budget at **Annex 1**.
- We have redacted the rental income being received from Wolf Studios Wales Ltd (a subsidiary of Bad Wolf) at the request of Bad Wolf Ltd. The Welsh Government has accepted Bad Wolf's contention that it would prejudice the commercial interests of the company and put them at a disadvantage with commercial competitors. Likewise the annual management fee payable to Pinewood has been redacted from this report at the request of Pinewood. The Welsh Government and Auditor General have both accepted Pinewood's contention that it would risk giving customers, competitors and suppliers of Pinewood an unfair advantage in future price negotiations, which would be likely to prejudice the commercial interests of Pinewood.
- While we are unable to provide exact figures for the rental income and the management fees, Welsh Government can confirm that the Wentloog facility is indeed now operating at a profit.

Written response by the Welsh Government to the Culture, Welsh Language & Communications Committee's report following the Committee's inquiry into Film and Major Television Production in Wales – Recommendation 17 detail

Recommendation 17

The Welsh Government should update the Committee with:

- the latest figures for spending and return on investment from the Media Investment Budget;

Productions supported by the Media Investment Budget, 2014-2018

These tables include the individual loans, investments, the funding recouped to June 2019 and the balance of each project that has been supported by the Media Investment Budget.

Table 1: projects funded by the Media Investment Budget under the management of Pinewood

Project	Investment Value (£)	Amount Recouped to June 2019 (£)	Net Gain/(Loss) to Date (£)	Welsh Spend to Date (£)
Take Down	3,144,000	1,090,048	(2,053,952)	1,089,000
Their Finest	2,000,000	2,049,985	49,985	1,618,075
The Collection ¹	1,750,000	219,595	(1,530,405)	5,186,676
Show Dogs ²	1,565,789	0	(1,565,789)	4,338,192
Journey's End	850,000	630,860	(219,140)	903,006
Don't Knock Twice ³	629,516	608,962	(20,554)	640,557
Minotaur ⁴	25,500	0	(25,500)	N/A ⁴
Lionel the First ⁵	25,000	0	(25,000)	N/A ⁴
Total	9,989,805	4,599,450	(5,390,355)	13,775,506

Previously the figures included Jack Staff at £25,000 but this funding was never drawn down so has been removed.

¹ The investment value includes £600,000 of grant funding from the Media Investment Budget

² The investment value includes £361,842 of grant funding from the Media Investment Budget

³ *Don't Knock Twice* also received £75,000 of grant funding under the Welsh Government's Business Finance scheme

⁴ Development funding does not include a Welsh Spend commitment

⁵ Development funding does not include a Welsh Spend commitment

Table 2: Projects funded by the Media Investment Budget under the management of the Welsh Government

Project	Investment Value (£)	Amount Recouped to June 2019 (£)	Net Gain/(Loss) to Date (£)	Welsh Spend to Date (£)
Trampires ⁶	2,000,000	0	(2,000,000)	1,620,701
Eternal Beauty ⁷	1,050,000	0	(1,050,000)	1,255,343 ⁶
Bang	350,000	0	(350,000)	2,561,928
Tiny Rebel	317,500	0	(317,500)	260,000
Goose Green ⁸	25,000	0	(25,000)	N/A ⁴
Almost Never (formerly True Believers ⁹)	621,500	0	(621,500)	2,117,864 ⁶
Six Minutes To Midnight ¹⁰	750,000	75,000	(675,000)	3,519,667 ⁶
Total	5,114,000	75,000	(5,039,000)	11,335,503

Exhibit 3: overall Media Investment Budget Investments

	Investment Value (£)	Amount Recouped to June 2019 (£)	Net Gain/(Loss) to Date (£)	
Total:	15,103,805	4,674,450	(10,429,355)	25,111,009

Therefore, overall recoupment is currently at 33%, with many of the projects still filming or having only just ended production. This percentage is calculated following the removal of the £600,000 for *The Collection* and £361,842 *Showdogs* grant funding from the Media Investment Budget.

⁶ Trampires also received £652,572 of grant funding under the Welsh Government's Business Finance scheme

⁷ In production or production has only recently completed

⁸ Development funding does not include a Welsh Spend commitment

⁹ In production or production has only recently completed

¹⁰ In production or production has only recently completed