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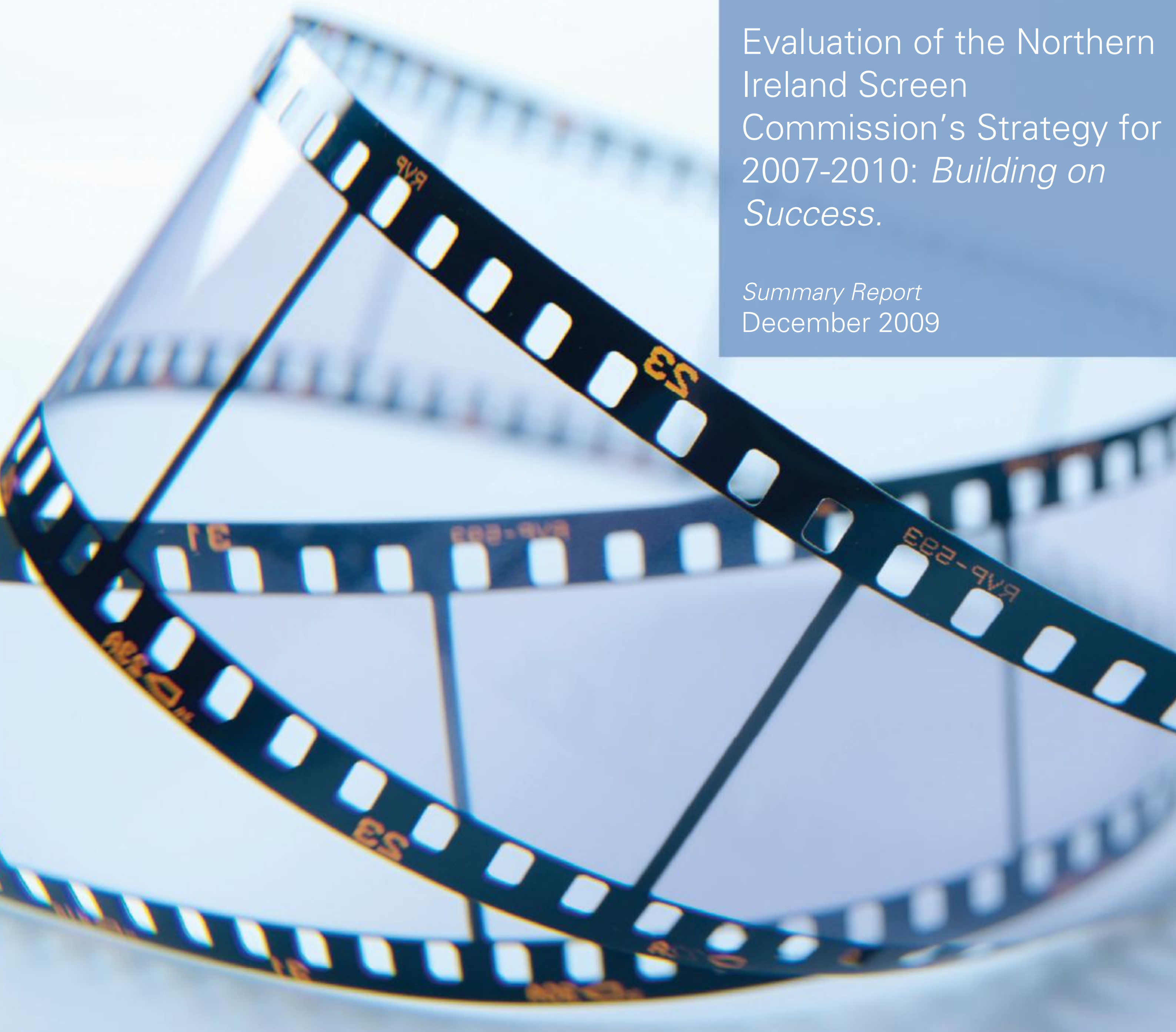
Invest Northern Ireland

Evaluation of the Northern Ireland Screen Commission's Strategy for 2007-2010: *Building on Success.*

Summary Report

December 2009



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Notice: About this report

The base performance data analysed in this report was supplied by Northern Ireland Screen and augmented by desk research, consultation with industry and stakeholders, and econometric analysis. In addition, the base data supplied by Northern Ireland Screen in respect of the Northern Ireland Screen Fund has been verified on a sample basis in relation to the Northern Ireland expenditure information.

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Glossary

BDP	Business Development Programme
CDF	Company Development Fund
DCAL	Department of Culture Arts and Leisure
FTE	Full Time Equivalent
MAFF	Marketing and Festivals Fund
NIFPF	Northern Ireland Film Production Fund
NIFTC	Northern Ireland Film and Television Commission (now Northern Ireland Screen)
NISF	Northern Ireland Screen Fund
Northern Ireland Screen	The Northern Ireland Screen Commission
PDF	Product Development Fund
VFM	Value for Money

0 Summary report

0.1 Introduction

KPMG was commissioned by Invest Northern Ireland (Invest NI) to undertake an evaluation of the Northern Ireland Screen Commission's Strategy for 2007 to 2010, *Building on Success* and specifically the Invest NI funded elements. This evaluation was conducted in partnership with Oxford Economics - who provided econometric expertise with respect to modelling the economic impact of the strategy and contextual interpretation of the same.

Building on Success is a progression of Northern Ireland Screen's previous strategy '*The Most Powerful Industry in the World*', which was implemented from 2003 to 2007 and which represented the first phase of significant support to the screen industry in NI.

Building on Success was centred on developing film and television drama production in NI alongside support for factual television and digital content production, through the Northern Ireland Screen Fund (NISF) which represented the majority of the approved funding package from Invest NI (see table below). It also provided support for project development, management development and market development/ promotional visits – through the Product Development Fund (PDF); Business Development Programme (BDP); and the Markets and Festivals Fund (MAFF) respectively.

The breakdown of the current package of support offered to Northern Ireland Screen is as follows:

Programmes	Assistance £
Northern Ireland Screen Fund (NISF)	8,963,779
Product Development Fund (PDF)	2,000,000
Markets and Festivals Fund (MAFF)	90,000
Business Development Programme (BDP)	300,000
Marketing and Promotion Costs	800,000
Operating Costs of Northern Ireland Screen	1,450,000
MIS	33,817
Development of Infrastructure	100,000
Total Invest NI funding	**13,737,596**
DCAL contribution to Operating Costs	350,000[1]
Total	**14,087,596**

[1] This represents DCAL's contribution to the 'Invest NI project' and excludes DCAL's contribution for other activities being implemented by NI Screen, including for instance support for Northern Ireland Creative Learning Centres, which were not within the scope of this evaluation.

0.2 Terms of reference

The purpose of this evaluation was to assess the following in the period from 1 April 2007 - 31 August 2009; and the likely outturn at 31 March 2010:

- the extent to which the principal objectives and related targets of the strategy have been met, and are likely to be met;
- the return on investment during this period;
- the adequacy of the identified return on investment – does it represent good value for money and a good use of public funds; and
- the quality of delivery of the Northern Ireland Screen Commission in respect of the strategy's different strands.

0.3 Methodology

The methodology for addressing these objectives incorporated the following tasks:

- Desk-based review of relevant documentation and information, including progress monitoring reports, financial and management accounts, relevant strategies and policy documents, beneficiary feedback and marketing surveys;
- Consultation with beneficiaries of the funds across all streams – which has achieved the targeted 60% coverage of awards for each stream[2];
- Consultation with key stakeholders in the industry[3];
- Benchmarking of operational issues, that is, organisational structure and marketing budgets with comparable Screen bodies and benchmarking of strategic issues in particular the nature and quantum of support within *Building on Success* compared to other screen strategies;
- Independent verification of data provided by Northern Ireland Screen;
- Modelling of the economic impact of the strategy to date (to 31 August 2009) and projected out to March 2010, and contextual interpretation of the same.

0.4 Strategic context

The *Building on Success* strategy offers strong alignment with the strategic priorities of its two primary funders namely Invest NI and DCAL.

[2] The consultation process has captured a representative sample of the overall activity across each stream. This was not a quantitative survey and as such it is not appropriate to comment on statistical bias.
[3] Invest NI, DETI, DCAL, UK Film Council, Arts Council, BBC NI, Digital Circle, NITB, PACT, DEL and Channel 4.

Invest NI's corporate plan for the period 2008-2011 sets out three key priority actions for economic growth: 1) Realising client potential; 2) Shifting sectoral focus; and 3) Frontier technologies. Realising client potential requires all businesses to innovate at all levels of their business. Northern Ireland Screen has a fundamental role in encouraging innovation in the screen sector through delivery of the PDF which removes an element of risk in the creative process. Shifting sectoral focus requires Invest NI to drive a shift towards high-value economic activity through attracting foreign direct investment and through boosting indigenous businesses and start-ups in high value sectors including the creative industries. The *Building on Success* strategy is contributing to foreign direct investment for the creative industries through the NISF, which also provides support to the indigenous screen sector. Furthermore, the core activities of the PDF, MAFF and BDP are targeted at increasing the potential of the high-value indigenous screen sector.

DCAL's corporate plan for 2008-2011 sets out the overall mission for the Department is "to protect, nurture and grow Northern Ireland's cultural capital by providing strategic leadership and resources for the promotion and sustainable development of the culture, arts and leisure sectors." The plan sets out a series of strategic and business objectives in order to deliver on this mission. In respect of Arts and Creativity, DCAL has objectives to "enable as many people as possible to improve their quality of life by experiencing, participating and accessing the excellence of our cultural assets" and "helping to grow a dynamic and innovative economy". *Building on Success* is contributing to these objectives through promoting culturally significant screen product, widening participation and through promoting growth of the NI screen sector.

0.5 Performance – summary of Northern Ireland Screen interventions

0.5.1 'Headline' Targets

Table 0.1 overleaf summarises the performance against the headline targets in the *Building on Success* strategy and identified in the economic appraisal for the same.

Table 0.1 – Performance against headline targets and outputs set out in the economic appraisal for *Building on Success*

Target	Performance
Leveraging a direct NI spend to investment ratio of at least 4:1 from the Northern Ireland Screen Fund.	For the period to 31 August 2009, a direct NI spend to investment ratio of 4.6:1 has been achieved, with an overall return ratio of 4.6:1 projected to be achieved from investments made over the three year period to 31 March 2010.
Developing the local/ TV industry from an original turnover of circa £20.9m to circa £50m per annum.	It is estimated that the turnover of the TV sector in NI will have grown by circa £14m to £34.9m over the three year period to 31 March 2010. While this is below target it is in the context of a challenging economic climate and a lack of significant levels of commissioning by the BBC from NI and therefore is a credible performance.
Digital media – achieve £5m growth in the sector by 2010	The baseline set out in the Monitoring and Evaluation framework in relation to digital content was not the digital content sector baseline, as per the TV target above. Rather it was the baseline turnover in respect of Northern Ireland Screen support through the NISF and PDF to the digital content companies which was defined as zero in this framework. There has been no identified progress towards this target to date beyond the actual development activity itself.
Value Added (VA) – as a minimum achieve an improved output/input ratio of VA to funding of 2:1 for intervention under the Northern Ireland Screen Fund and the Product Development Fund.	The direct Gross Value Added associated with the NISF and PDF is £38.9m against an investment of £11.8m, [4] yielding an output/ input ratio of 3.3:1.
Contribution to NI employment – to create 430[5] FTE job years for NI residents over the three year period to 2010.	381 FTE job years for NI residents are expected to be created through expenditure over the three year strategy period. Of this 259 FTE job years have already been secured.

The table above demonstrates a very strong performance over the strategy period. The total NI direct expenditure associated with the NISF, as projected to March 2010, is circa £45m for £9.8m[6] of funding provided. The ratio of NI direct expenditure to Northern Ireland Screen contracted expenditure within the NISF projected out to March 2010 is 4.6:1. Thus the economic return of the NISF represents an excellent performance and exceeds the overall 'headline' target set (4.2:1).

It is also important to highlight that previous evaluations concluded that the targeted return on investment ratio of at least 4:1 was very ambitious particularly in light of the fact that no evidence of such an explicit target has been found in respect of other benchmarked regions. This reinforces the strong headline performance of the fund although certain areas (e.g. film)

[4] Including £600,000 in respect of City of Ember, which was awarded under the first strategy plus £240,204 of recoupment earned on previous investments.
[5] This target was calculated using the methodology employed in the original economic appraisal for '*Building on Success*' (including £600,000 in respect of City of Ember as detailed in footnote 4).
[6] Including £600,000 in respect of City of Ember, which was awarded under the first strategy plus £240,204 of recoupment earned on previous investments.

performed better than others and the overall performance is highly positively influenced by two major productions – City of Ember and Your Highness.

The TV sector turnover will fall short of the projected £50m, but has demonstrated very credible levels of growth from £20m to £35m, particularly given the economic downturn which has prevailed for the latter half of the strategy period. The baseline was however, only based on TV production data (as were the subsequent turnover figures provided). This is therefore an understatement of the turnover/ output of the screen sector as a whole in NI and a wider interpretation of sector turnover should be applied for a strategy post March 2010[7].

In contrast, there has been no identified progress to date against the third specific objective of the strategy i.e. achieving growth of £5m in the digital media sector by March 2010 beyond the actual development activity itself. Northern Ireland Screen has not fully engaged with the sector over the strategy period which has constrained progress in this regard.

0.5.2 The Northern Ireland Screen Fund: NISF

The NISF primarily targets inward investment in the form of high value productions - film, television and digital content – to shoot on location in NI but will also support indigenous projects. The Fund provides a financial incentive in the form of a recoupable loan (up to a maximum of £800k from March 2007 to July 2009, or a maximum of £1.8 million effective from July 2009) with profit participation - subject to negotiation.

The NISF has performed strongly and is 96% additional. Significant realignment in favour of TV (drama) production has been achieved through the NISF, but it is possible that this may have gone too far - given that the economic returns for TV production have fallen marginally short of target whilst those for film have been exceeded and have been instrumental to the overall impact and performance of the strategy.

The Paint Hall has been critical to the performance of the NISF (and overall strategy) and studio capacity / infrastructure must be a priority issue for any strategy post March 2010. Over the life of the current strategy Northern Ireland Screen has experienced a 'feast or famine' scenario in managing the facility with financial exposure during periods of downturn. The loss of access to Maysfield Leisure Centre (which Belfast City Council have alternate plans for), which was a valuable 'overspill' or alternative to the Paint Hall, further exacerbates the issue. Looking forward it should be a priority to have a more stable infrastructure proposition in place to attract and service production. Assuming that 'Game of Thrones[8]' proceeds beyond the pilot phase, Northern Ireland Screen will have very limited access to the Paint Hall facility in the medium term. On the one hand this minimises any financial exposure but on the other hand leaves minimal studio capacity to attract and service future production. In view of the above, there is a need for the development of an 'infrastructure strategy' to underpin any future Northern Ireland Screen strategy to ensure that NI can continue to service productions in addition to Game of Thrones.

[7] Including film and digital content although the latter will be more difficult to baseline and isolate
[8] 'Game of Thrones' is a fantasy television series from HBO with the potential of up to seven series assuming a successful initial pilot

The fixed targets between genres within the NISF have been too restrictive, given that Northern Ireland Screen operates in a demand led environment. Evidence from other jurisdictions suggests more flexibility would have been appropriate. Fixed targets between genres are not evident in other jurisdictions and increasing convergence trends (where the same screen content can be delivered across a range of platforms e.g. cinema, television, web and mobile) make the concept less relevant.

Looking ahead support for large flagship productions within the NISF is clearly an important consideration given that 50% of the economic return has been linked to two large projects – City of Ember and Your Highness. However, the degree to which support can only be targeted at large productions is constrained by two key factors. At present, the only studio facility available in NI is the Paint Hall and so the physical infrastructure could not support multiple large productions filming concurrently. Furthermore, consultations with the industry suggest a skills shortage in the indigenous screen structure which would constrain the potential to service these productions and so there are diminishing returns on investment as productions seek to use cast and crew external to NI. Therefore it is important to maintain a balanced portfolio of activity within the NISF in terms of size, which facilitates simultaneous production of small scale projects alongside large scale projects in order to encourage full utilisation of the physical and human resources available in the NI sector. The research evidence gathered through stakeholder consultations indicates that smaller productions also typically offer greater opportunities for the indigenous sector and as such provides further evidence of the need to maintain diversity in the nature and scale of supported projects.

Allied to the above, there is a need to ensure NI continues to be seen as 'open for business' to productions beyond Game of Thrones. In the event that the pilot episode of Game of Thrones progresses to full series production, there is a risk that Northern Ireland Screen will not have the financial capacity to support the diverse portfolio of production activity that is required to ensure development of a sustainable indigenous industry in NI and to mitigate against the risk of an over reliance on one production. It is therefore important that there is enough capacity in financial terms, within any future strategy, to attract and support the required diversity of production activity.

Digital content production failed to materialise within the NISF as envisaged, which is partly linked to the fact that it is still an emerging sector where boundaries, scale of activity and commercial models are not yet fully understood. It has also been constrained by limited 'interplay' between *Building on Success* and the *Northern Ireland Digital Content Strategy*.

Northern Ireland Screen is universally viewed as a progressive and pro-active screen body, compared to their counterparts, by incoming producers and stakeholders. The only negative comments made were that Northern Ireland Screen was viewed as sometimes struggling with the administration of funds. The reputation of NI as a location for production is also growing but marketing and profiling of NI, particularly leveraging from past users of the NISF as ambassadors for the future, will continue to be critical to address some of the attitudes and perceptions that persist with respect to NI as a location. By way of example, the programme of consultations conducted during this evaluation indicated NI has not yet fully overcome the effects of The Troubles in respect of its reputation on a national and international front. Therefore, the consultations highlighted that a psychological barrier still exists for those who have not visited NI in recent years. While it was reported that the prevalence of these perceptions is declining, there is a continued need for NI to be marketed effectively in order to attract new production activity.

In conclusion, the evidence gathered during this evaluation substantiates a continuing market failure in the area of production activity, with consultees reporting that almost no production activity would occur in NI without public sector intervention. The NISF is almost 96% additional and offers strong value for money in the context of a NI direct spend to investment ratio of 4.6:1. Recommendations (numbered 9 - 12), which are specific to this funding stream have been presented in section 0.10 of this summary report.

0.5.3 The Product Development Fund: PDF

The PDF is a loan fund targeted at supporting the development of both inward investment and indigenous film, television and digital content projects (maximum of £100,000 typically for a 'slate' of five projects although smaller slates can be considered) where the appropriate proportion of the original loan, plus a 50% premium, is repayable on commissioning of a project.

The uptake and commitment of funds to PDF projects has remained strong and has worked well to attract a wider portfolio of development activity in NI from both indigenous and external companies than would otherwise be the case. Eight inward investment projects were attracted to NI as a result of the PDF which has served to increase the external profile and recognition of Northern Ireland Screen and NI as a location for the development of screen products.

The PDF activity has also compensated to a degree for the underperformance of the NISF in the digital content arena, with circa one third of the awards (one quarter by value) related to digital content development.

The critical mass of activity within the PDF has enabled some key indigenous independent production companies to diversify and has enabled a continuation of some of the 'foundation building' development activities that otherwise would not have happened due to reduced availability of Lottery Funding in NI; it has enabled some companies to maintain activity and alleviate difficulties associated with the economic downturn; and has been important in fostering increased partnerships between the independent sector in NI and broadcasters/ networks. The evidence shows that 81% of the activity is additional, in that it would not have happened without support from the PDF.

However, conversion of activity to outputs in the form of commissions has been poor with only two reported commissions from *Building on Success* with a value of circa £2m to date, against an Invest NI investment of £2m. However, PDF supported projects have secured other economic impacts including leveraging match funding of £1.2m from sources external to NI and attracting a further £3.7m of development support. As such it is concluded that the PDF represents value for money, although at a significantly lower level than the original target of an economic return of 10:1, i.e. £20m of sales from the £2m investment. However, the original volume target of 40 commissions[9] was excessive with respect to what would have been required to deliver the targeted economic returns.

Set against the above it is evident that there has been 'under-reporting' of outputs/ success and confusion about the term 'commission' which as a concept is not viewed as relevant to animation or digital content. As a consequence of this lack of consistent and comprehensive reporting on the quantum/ value of outputs arising from PDF, it is difficult to robustly comment on the full economic return of the PDF to date. As such it is anticipated that the reported economic return is likely to be understated.

Building on the evidence set out above, it is now clear that the target of 40 commissions was not sufficiently defined – in terms of an agreed understanding between all parties on the timeline for commissions arising and the definitions of a commission, and particularly the applicability of the terms to the animation and digital content sectors where the commercial models can be different and are not widely understood. In summary, a broader range of output indicators could have been devised for the PDF from the outset and are important for a development fund in any strategy post March 2010, which could include, for example, the amount of funding leveraged from outside of Northern Ireland; the value of further development funding attracted by PDF supported projects; jobs for NI residents that are created/ safeguarded. As discussed above, the first two of these indicators have contributed to the economic impact and value for money of the PDF.

There have been two major constraining factors on achievement of commissions, the slow progress towards BBC regional commissioning targets and the economic downturn, which has created a crisis of confidence in some markets in relation to screen content. Progression on both fronts could quickly expedite some of the 'pipeline' commissions within the PDF. Northern Ireland Screen is of the view that circa £5m of production associated with PDF activity is foreseeable and could be secured by March 2010. The reported returns on development funds from the benchmarking regions researched for this evaluation are better than the PDF[10].

There were views detected through the research that the PDF was structured to penalise success (with development funds plus a 50% recoupment premium payable to the fund in the event of a successful project commission). However, the concept of recoupment works elsewhere for development funds[11].

The targeted economic return ratio of 10:1 is theoretically achievable for film and television projects based on the evidence from Northern Ireland Screens' previous strategy ('*The Most Powerful Industry in the World*') of the high value of commissions versus the initial investment from the PDF and the commissions which have been secured to date within *Building on*

[9] A commission is secured at the point at which a broadcaster commits to invest in the production of a project which will normally have previously been in development. So a commission is secured when a project moves from 'development' to 'production'.

[10] in ROI 1 in 8 projects supported are commissioned across their development funds, in Yorkshire 1 in 4 projects supported through development funds progress to full production.

[11] Recoupment of development funds plus a 50% premium is the approach adopted in Wales and is also applied to one of the development funds in ROI. However, Scotland has recently reduced its premium on recoupment from 50% to 3%.

Success. At 31 August 2009 the economic return on investment ratio for the PDF overall was 1.1:1, however, this is based on only two commissions which individually have yielded return ratios in excess of the targeted 10:1 . However, the 10:1 ratio was perhaps too ambitious a target for digital content activity. Looking ahead a broader definition of the economic return ratio across all mediums needs to be considered for the future, including consideration of the impact of funding leveraged from sources external to NI and the value of further development commissioned.

In conclusion, the evidence gathered during this evaluation substantiates a continuing market failure in the area of development activity. The PDF is partially additional at 81% and represents satisfactory value for money in the context of the value of commissions (£2m) secured alongside the match funding from sources external to NI that has been leveraged and further development support obtained (which cumulatively is £4.9m). One recommendation (numbered 13), which is specific to this funding stream has been presented in section 0.10 of this summary.

0.5.4 The Business Development Programme: BDP

The BDP is a management development initiative for the Screen industry comprising of a number of individual programmes procured by Northern Ireland Screen from The Research Centre in Glasgow.

Disaggregating the participation (and benefits) by strand has increased the visibility of the value of the BDP. The transferability of BDP developed skills is evident within some of the larger companies, who have actively used the BDP to support career progression and strategic resource development/succession planning in terms of key roles within their companies.

The retention of BDP skills in each company may be short-term in nature consistent with the fast moving labour market within the screen industry. However, the retention within the screen industry at large in NI appears to be high (at 80%).

There is recent evidence of new entrants to BDP (in the cross-creative strand) which suggests widening participation, towards the latter period of the strategy.

The future of the BDP should be considered in a wider setting going forward. The support provided through the first two strategy periods has been successful in building a critical mass of production (and development) activity in NI. Thus it is time to focus the spotlight more formally on skills gaps in the local workforce so as to be able to continue to service the quantum of inward investment activity secured and to drive increased spend in NI through increased availability of local cast and crew. In addition the skills needs of local companies need to be addressed to support their growth in external markets through e.g. BDP type interventions and bursary schemes. As such it is recommended that a more formalised focus on the development and implementation of a skills strategy is now opportune. The basis exists to do this through implementation of Skillset's '*Sector Skills Agreement for the Creative Media Industries Northern Ireland: Update 2008-11',* which sets out key gaps and action points. The fact that the Skillset representative is now based in Northern Ireland Screen's offices should expedite this activity. Within this, consideration could be given to gaining a greater understanding of equality issues pertaining to the screen industry workforce in NI linked to some parallel work that has been conducted in the UK[12].

In conclusion, the evidence gathered during this evaluation substantiates a continuing market failure in the area of comparable skills development activity, particularly for freelancers and smaller companies. The BDP is considered to be partially additional at 55%. Consultations with beneficiaries of BDP support indicate high levels of satisfaction with the training delivered and report tangible benefits that this high quality programme has delivered. As such, while the BDP is considered to be a fairly expensive intervention on a cost per participant basis, it represents satisfactory value for money. Recommendations (numbered 14 – 15), which are specific to this funding stream have been presented in section 0.10 of this summary.

0.5.5 The Markets and Festivals Fund: MAFF

Individual awards under MAFF are to a maximum of £1,500 to support company/ individuals attendance at film, television and digital content festivals and conferences and to support market development visits in external markets. Multi-event awards can also be made to a maximum of £5,000 against a detailed marketing activity plan for a one year period.

There remains a rationale for small companies (and individuals) attending key events/ festivals – to enable them to develop networks with product commissioners, financiers etc as well as present an opportunity for them to market their products and raise the profile of the Northern Ireland Screen sector.

However, the consultation evidence gathered during this evaluation indicates poor levels of additionality associated with MAFF and it is not evident that MAFF resources have always been targeted at those companies most in need. Some screen companies use MAFF and Invest NI's GAP[13] funding interchangeably and there is confusion between the two. The proposal to provide smaller awards for a new category of individuals has not yet sufficiently served to increase the value-for-money of the intervention (with only four successful awards to individuals to date) but the potential for the same remains.

In conclusion, the research undertaken during this evaluation found only limited evidence of a market failure in respect of attendance at markets and festivals, which was more prevalent for smaller companies and individuals who would not otherwise have attended and for which no other public sector support for such activity is available. The MAFF is considered to be only partially additional at 38%. Consultations with beneficiaries of MAFF indicate that much of the activity would have occurred in the absence of MAFF, although there were reported additional benefits in terms of the duration of the attendance or the number of attendees from one company. MAFF is considered to be a relatively inexpensive intervention, but due to the additionality issues outlined, is considered to represent poor value for money. One recommendation (numbered 16), which is specific to this funding stream has been presented in section 0.10 of this summary.

[12] UK Film Council, 2009 *Statistical Yearbook*, http://www.ukfilmcouncil.org.uk/media/pdf/2/p/2009.pdf
[13] Invest NI's Growth Accelerator Programme (GAP) can assist the export marketing activities of a company for an 18 month period along with support for a maximum of two key workers and support towards consultancy costs.

0.5.6 Summary assessment of funds

The table below sets out an overview of each of the four funding streams within the *Building on Success* strategy.

Table 0.2: Summary assessment of funds

	Funding 2007-2010	Market failure	Additionality[14]	VFM	Continue to fund?
NISF	8,963,779	Yes	95.6%	Strong	Yes – Potentially Reduce Over Time?
PDF	2,000,000	Yes	80.8%	Satisfactory but well below target	Yes – Reduce
BDP	300,000	Yes	55.0%	Satisfactory	Yes – Maintain
MAFF	90,000	Limited	38.0%	Weak	Yes but only for small companies and freelancers

As indicated in the table above, the evaluation has found evidence of a market failure for production, development and skills activity and some evidence of market failure in relation to support for attendances at markets and festivals. The NI screen sector has now developed critical mass and there is a need to consolidate this position through continued support for production and skills development so that these productions can be serviced by the indigenous sector. Allied to this, there is also a continuing need to stimulate development and innovation in the indigenous screen sector through an intervention such as the PDF, which is consistent with the support available in other jurisdictions considered as part of this evaluation.

This overall conclusion would suggest that it is important to have a balanced intervention strategy for the future. Specifically, while the majority of the economic returns are generated by the NISF, the other interventions play a facilitative and reinforcing role and therefore a strategy based solely on an NISF intervention would not be sustainable for the future.

Drawing on the final column in the table above, the suggestion that the NISF intervention should continue is based on the very positive conclusions with respect to additionality and VFM. The intervention should only decline over the forward period, if there is substantive progress in respect of commissioning levels from the BBC NI. Similarly on the PDF the case to fund in future remains, but should be reduced until there is more progress on the evidencing the economic returns from the same. With respect to the BDP, in the context of an increasing focus on skills, it is not suggested that funding should be decreased. However, there is potential for participant contributions towards costs and a wider portfolio of activity, beyond the current TRC offering, which could facilitate more throughput. Finally on MAFF the case for support

[14] Quantitative assessment of additionality is indicative and based upon self-reported additionality as gathered through the consultation process with beneficiaries of each of the funding streams.

can only be substantiated going forward on the basis of provision for smaller companies and freelancers, to maximise additionality.

0.5.7 Marketing and information services

Word of mouth and personal referrals continue to be the most effective and important means to attract production to NI. However, the marketing activities of Northern Ireland Screen provide structure and form to this, capitalising on the growing profile of the region on a global front.

Overall it is concluded that Northern Ireland Screen's marketing activities have been effective in promoting the interests of the sector and raising the international profile of NI. The marketing activities undertaken have been appropriately aligned with marketing objectives and these activities have successfully raised the local and international profile of NI as a viable and attractive location for the screen sector.

0.5.8 Operating and marketing costs

Northern Ireland Screen's operating costs, and the proportions of these spent on salaries, and its marketing costs are broadly consistent with other established screen agencies e.g. Scotland and the ROI. They are higher than those evident in the Film Agency for Wales. However, the latter has a different remit in terms of the nature and quantum of support for the industry and is at an earlier stage of development and therefore the difference is deemed reasonable.

Northern Ireland Screen salaries are in line with comparator organisations. Furthermore in 'headline' terms the overall analysis would suggest that the cost of delivery of *Building on Success* would not be materially different if aspects of the same were delivered by Invest NI except in as far as NI Screen has higher overhead costs[15] (as a percentage of total costs) than Invest NI as a consequence of its smaller scale.

Considering the contribution towards operating costs by each funder, the level of funding provided by Invest NI for salaries and overheads appears to be in line with the activities that are attributable to Invest NI based on a limited analysis of four weeks of activity within Northern Ireland Screen.

0.6 Economic impact / PSA targets

The 'headlines' from the economic modelling would suggest that:-

- The NI GVA impact is estimated to be £57.4m by March 2010 (giving multipliers of 1.5 for GVA and 1.9 for employment.). Of this £26.6m has already been secured;

- The local employment impact, including direct FTE employees and estimated indirect and induced job years sustained, is 1,419 with 741 direct FTE job years created as a result of the strategy (and an additional 678 indirect and induced job years) by March 2010. Of this, 817 FTE job years (507 direct and 310 indirect) have already been secured; and

[15] Based on data supplied by Invest NI.

- The projected productivity of £53,000 per FTE is well above the average productivity figure for the wider NI economy (£41, 000 per FTE job)[16] which is a positive finding

Over half of the GVA and employment impacts have arisen from two projects, City of Ember and Your Highness, which links to the debate above regarding the importance of flagship productions to the sector as part of a balanced portfolio of activity.

The 'headline' economic impacts of *Building on Success* are circa three times that of the first strategy where the investment in the same was only 30% higher than the first strategy. This would imply a much greater economic return per unit of intervention investment and evidences the fact that the screen industry now has critical mass and is an 'industry of substance' which hitherto has not been the case.

It is important to note that the GVA impact calculated in the model does not, in its entirety, represent a net additional benefit to the NI economy (although the GVA attributable to direct non-resident cast & crew is still technically classified as local economic activity). Though displacement of cast & crew from other sectors is low, any displacement still constitutes an opportunity cost if employment of local cast and crew takes labour from other sectors.

Data on the origin of local cast and crew (e.g. in terms of previous employment or economic inactivity) is not available making the opportunity cost difficult to quantify. Nevertheless, labour displacement is likely to be low because film and television skills are largely specialist (e.g. camera crew, which means only a limited pool of labour is suitable) and the availability of production jobs is more likely to retain or attract back local cast & crew (who would potentially work outside NI, or have been working outside NI) rather than displace them from other sectors. NI Screen has a number of examples of "home-comers" attracted back and non-NI residents moving permanently to take up production jobs.

In any case in the current environment of rising unemployment, displaced labour from one sector is a decreasing issue as the labour market faces significantly less labour and skill shortage pressures. Whilst for the first strategy period the labour market was arguably tighter, the availability of migrant labour, particularly to sectors which could have suffered displacement (e.g. construction workers for building film sets), meant again displacement is likely to have been negligible. In any case, according to NI Screen, even construction occupations in production are relatively specialist.

It should be noted also that an opportunity cost arises from investing in the NISF as opposed to other programmes or areas of government spending but the same argument can be made of any type of Invest NI and general government spending.

The activities of Northern Ireland Screen through the *Building on Success* strategy have been important in contributing to Invest NI's relevant PSA targets and those of DCAL. In particular, with respect to PSA 1, which aims to improve NI's manufacturing and private services productivity, it is relevant to note that the estimated productivity of Northern Ireland Screen supported productions is £53,000 per direct FTE cast and crew compared to £41,000 for the whole economy[17]. The *Building on Success* strategy has also had an important contribution to

[16] Source: Oxford Economics analysis.
[17] both figures are in nominal prices and the denominator is FTE persons employed

PSA 3, which aims to increase employment levels and reduce economic inactivity. As highlighted above, the local employment impact of the strategy is the creation of 741 direct job years. However, the contribution towards PSA 3 is limited by the small size of the sector which accounts for only 0.3% of total employee jobs. Nevertheless continued support for the screen sector represents strong alignment with the strategic priorities for Invest NI and the wider NI economy.

0.7 Economic impact, profile and GVA contribution of the screen industry

The creative industries in NI are made up of some 8,776 employees and represent approximately 3% of private sector employment in the region[18]. Within this, the screen industry is a significant proportion of the overall activity, representing 28% (2,437) of employees in the creative industries sector. It is important to recognise that the screen industry in NI is dominated, in job terms, by radio and TV broadcast activities (three-fifths of all jobs in 2007). The proportion of employees in the screen sector in NI as a percentage of overall creative industries employment is higher than any other region of the UK.

In GVA terms, the creative industries contributed approximately £504m[19] to the NI economy in 2007 and are comprised of a wide range of activities incorporating for example, arts facilities, entertainment activities, recreation publishing and recording. The Invest NI support for *Building on Success* has resulted in an annualised figure of £11.3m[20] direct GVA contribution to the NI economy.

NI, along with Wales and Scotland, has had one of the fastest growing screen industries according to the official data, although it is important to recognise that this growth was from a low baseline position.

0.8 Benchmarking

The table overleaf provides a summary of the salient points for each comparator organisation.

[18] Creative industry employment is the number of staff directly employed in creative industries companies as reported by DCAL.
[19] In 2003 prices.
[20] £13m in current prices (which has been converted to £11.3m at 2003 prices in order to facilitate consistency of comparison). This equates to one third of the direct GVA impact of the three year strategy in order to derive the annual contribution to GVA.

Table 0.3: Summary of benchmarking information

	Northern Ireland Screen	Irish Film Board	Film Nova Scotia	Screen Yorkshire	Film Agency for Wales	Scottish Screen
Tax Credit	Film Only	Film & TV	Film, TV & Digital Content	Film Only	Film Only	Film Only
Production Support	Yes	Yes	Yes[21]	Yes	Yes	Yes
Recoupment rights	Yes	Yes	Yes	Yes	Yes	Yes
Development Support	Yes	Yes: 4 Streams: Fiction, First Draft, Animation, Multiple Project Development	Yes	Yes	Yes	Yes
Recoupment rights	Yes: Loan + 50%	Yes: Fiction, First Draft and Animation - Loan Multiple Project Development - Loan + 50%	Yes: Loan	Yes: Case by case basis.	Yes: Loan + 50%	Yes: Loan + 3%
Management Development Support	Yes: BDP	No	Yes	Yes	No	Yes
Support for Attendance at Markets and Festivals	Yes: MAFF	No	Yes	No	No	Yes
Total industry support (£)[22]	5.700,000[23] (Y/e 31 Mar 2009)	16,083,000 (Y/e 31 Dec 2009)	1,988,000 (Y/e 31 Mar 2010)	3,600,000 (Y/e 31 Mar 2010	1,937,347 (Y/e 31 Mar 2009)	4,500,000 (Y/e 31 Mar 2010)
Population	1,685,267	4,156,199	913,562	4,964,833	2,903,085	5,168,500
Support per head of population (£)	**3.38**	**3.87**	**2.18**	**0.73**	**0.67**	**0.87**

Source: KPMG analysis

[21] Film Nova Scotia operate one flexible fund covering all aspects of support – as such while different strands of support are offered (e.g. development, production etc) there is only one fund overall, with no specific targeted allocation of funds to any one type of activity.
[22] Where information was available in relation to the value of the current strategy period, up to 31/3/2010, this has been included.
[23] This is the annual support available to the industry from Invest NI financed activity plus Lottery funds etc but excluding the ILBF in order to be comparable with other regions, where support for indigenous language broadcasting sits outside of core support for the screen strategy. It equates to programme expenditure per the audited accounts, less ILBF, Marketing and Information, Digital Archive, Education Costs and Rent for Maysfield and the Paint Hall, in order to be comparable with other regions.

It is important to highlight that comparisons of Northern Ireland Screen with other screen bodies should not be taken in abstract given the varying remits and wider context within each region. The terms of reference for this evaluation required only a comparative analysis of public sector support channelled through other screen agencies/ screen strategies, not the totality of support to the entire sector in each region, which would be very challenging to obtain and would include the value of broadcaster commissions and tax incentives as well as support for indigenous language production. However, in relation to the above analysis, the following points of interest were noted:

- The activities of Northern Ireland Screen, as detailed within this report, are commensurate with screen support in other regions, and in some cases more wide-ranging;

- Fiscal stimulation is provided in ROI and Nova Scotia, in the form of tax credits, for production across all screen genres – which could impact on the attractiveness of NI as a location for non-film production given that the tax credit available for the UK relates only to film;

- Considering the funding available for the purposes of awards/ financial support to the sector through Northern Ireland Screen, the level of investment per head of population is £3.38. This is significantly higher support than delivered through other UK screen bodies but is broadly consistent with the level of support administered through the Irish Film Board. However, it is important to acknowledge that the value of the tax credit within each region is not encompassed within these figures. This is relevant only with regard to Film Nova Scotia and the Irish Film Board since Screen Yorkshire, Film Agency of Wales and Scottish Screen all operate under the same tax regime as Northern Ireland Screen. Similarly, the investment by broadcasters in the various regions is not captured.

- Similar to Northern Ireland Screen, in ROI one strand of development funding requires a 50% premium on successful development activity. However, this premium is earmarked for future use by the production company giving rise to the premium;

- The tangible outputs from development support in ROI and Yorkshire are greater than experienced to date in NI (e.g. 1 in 8 in a recoupment position in ROI, and 1 in 4 going into full production in other regions);

- There is no consensus on whether contributions towards 'scouting' costs is a key influencing factor in considering a location, with differing practices in each region examined. This links to the findings from consultations which indicate that financial assistance in this regard is not considered to be a significant factor in encouraging external production; and

- The Irish Film Board is developing a strategic review of the creative industries in ROI in conjunction with the Department of Arts, Sports and Tourism.

In relation to the impact of investment by broadcasters, PACT's 'Nation and Regions Report' dated November 2008 considers the level of programming broadcast by BBC1, BBC2, ITV1, C4 and five in 2007 that was produced in the various UK nations and regions. Table 0.4 below shows that Northern Ireland lagged significantly behind the other UK nations and that all the nations and regions lagged significantly behind London. The situation today is not expected to be significantly different from a NI perspective and the support per capita from Northern Ireland Screen versus the support per capita from other UK screen agencies (as presented in table 0.3) needs to be viewed in this context.

Table 0.4: Minutes of Network Production per thousand head of population

Area	Minutes	%	Ratio[24]
London	85.3	86.3%	153
English Regions	7.5	7.6%	13
Scotland	3.5	3.5%	6
Wales	2.0	2.1%	4
NI	0.6	0.6%	1
Total	**98.9**	**100.0%**	

Source: Pact/Attentional/KPMG.

The size of the screen sector in NI was also contrasted with the 'footprint' of other sectors in NI as detailed below.

Table 0.5: Sector footprint comparison (2007)

2007	Employees	Productivity
Screen sector	2,437	£45,714[25]
Creative sector	8,776	£40,000
Financial services sector	17,632	£55,000
ICT sector	11,836	£57,000
NI whole economy	711,000	£37.600[26]

Source: ABI, NI Census of employment 2007, Oxford Economics
Note: Productivity figure in relation to the screen sector refers to the productivity per direct FTE employee derived from the GVA impact model presented in Section 9. All figures in Table 10.2 are in 2003 prices.

[24] The 'Ratio' is calculated relative to Northern Ireland.
[25] This equates to the productivity figure of £53,000 as calculated in Section 9 – but expressed in 2003 prices to be consistent with the presentation of GVA data in Oxford Economics' NI Policy Simulation Model (the NI Government's accepted economic model).
[26] This equates to the productivity figure of £41,000 presented in Section 9 – but expressed in 2003 prices to be consistent with the presentation of GVA data in Oxford Economics' NI Policy Simulation Model (the NI Government's accepted economic model).

0.9 Other issues

0.9.1 Sector consolidation

There has been significant debate within this evaluation about the need to stimulate a degree of sector consolidation going forward. The interviews with the broadcasters suggested more confusion/complexity arising from the proliferation of new companies and more contact points therein. Similarly some of the larger companies expressed a desire for Invest NI support to incentivise existing screen sector companies to 'umbrella' freelance talent, rather than encouraging an individual freelancer to set up as a new enterprise. It was viewed that this would give the existing companies access to new talent and at the same time allow the freelance individual to benefit from the 'corporate' structure and support environment of an established company.

These ideas are not new and indeed were around at the outset of the first strategy, where a need for mergers and rationalisation was argued for. To date there has been limited evidence of mergers (apart from Waddell and Flickerpix), but there are some interesting alliances currently developing (Generator and Kudos) which could be replicated and further encouraged in a future strategy.

0.9.2 Measurement and monitoring

The Monitoring and Evaluation framework for *Building on Success* was with hindsight too rigid and prescriptive for an industry where models and definitions of development/ production activity are very fluid. That is not to say that targets should not be set at the level of the strategy overall and at the level of each fund, but perhaps having a volume and expenditure target per annum for every genre within the NISF for instance was overly prescriptive. Furthermore there is a need to ensure congruence between strategy targets and economic appraisal targets given that there was some minor differences in the specification of targets between the two.

At the level of the strategy overall in future more emphasis should be placed on GVA, productivity and employment output targets, rather than sector turnover as all of these are more consistent with Invest NI policy imperatives and associated PSA targets.

0.9.3 Optimal levels of intervention

Before turning to consider the specific recommendations for a future strategy it is relevant to consider what the optimum level of intervention by Invest NI might be. These views are only indicative given that this will be fully tested in the economic appraisal that is being commissioned in respect of the future strategy.

The first strategy involved an Invest NI investment of £10.6m and the second £13.7m. The projected economic impacts of the second strategy are circa three times the outputs of the first, for only 30% more funding from Invest NI. This suggests a very strong 'headline' performance and also the fact that greater economic returns are now achievable per unit of intervention, as the screen industry in NI has gained momentum and critical mass, over the two strategy periods.

Allied to the above it is evident that some of the competing UK regions to NI have viewed NI with 'envy' in recent years, because of the nature/quantum of support packages they have been able to provide. Finally, there is increased momentum now evident in terms of devolved production through the stated intention of the BBC to increase commissioning of production in NI incrementally from the current circa £7m per annum to reach circa £17m per annum by 2012 and £26m per annum by 2016, which is also mirrored in increased momentum in terms of regional production, through Channel 4 (Nation and Regions) and the Channel 4 IP fund. However, the extent to which the BBC will commission from the independent sector (as opposed to internally) is not yet clear and therefore extensive reliance should not be placed on this in the short-term until such time as there is greater clarity on the issue.

All of the above factors suggest that the level of intervention in a future strategy should be less than was the case in *Building on Success*. Indeed perhaps a suitable theme for a future programme strategy would be 'consolidation', now that a critical mass of activity and momentum has been achieved in NI.

Set against the above there is also the need to retain some capacity to attract high profile external film and TV drama productions to NI, which have been instrumental to the impact and VFM of *Building on Success*. Thus going much below £3m per annum from Invest NI, (£0.8m per annum lower than *Building on Success*, (excluding marketing and operating costs) in funding support to the sector in NI could be counterproductive and potentially constrain the ability for NI to maintain the momentum and success achieved to date. In broad terms an optimum range could be £3.5-4.0m per annum, but this would need to be kept under review, linked to progress in terms of BBC commissioning and whether Game of Thrones progresses beyond the pilot phase. In full production, Game of Thrones would consume £1.8m per annum of the optimum range leaving a suboptimal level of residual funding for other projects.

The proposed optimum range does not include marketing and operating costs for Northern Ireland Screen. It is also important to note that this figure should be extended by any 'recoupment' returns in the forward period.

Thus rather than a complete exit strategy, this should start the basis of a declining 'net cost' intervention strategy from Invest NI.

0.10 Recommendations

A number of recommendations for the next strategy period (2010-2014) are set out in the table overleaf. These are categorised as 'over-arching' recommendations and fund specific recommendations.

Over- arching Recommendations	
Sector Consolidation	1) Future intervention models for the next strategy should be structured to encourage or incentivise collaboration between Northern Ireland Screen companies (i.e. both indigenous NI companies and those who have set up a base in NI as a result of Northern Ireland Screen support).
Skills Strategy and Capability Support	2) A more formalised focus on the development and implementation of a skills strategy should be a priority, building on implementation of '*Sector Skills Agreement for the Creative Media Industries Northern Ireland: Update 2008-11'*, Within this it would be useful to gain a greater understanding of equality issues pertaining to the screen industry workforce in NI linked to some of the parallel work that has been conducted in the UK. Northern Ireland Screen should continue to work closely with Skillset, DEL and Invest NI in order to advance the skills agenda.
Measurement and Monitoring of a Future Strategy	3) The Monitoring and Evaluation Framework for a future strategy should be simplified and streamlined. Within this there is a need to ensure congruence between strategy targets and economic appraisal targets. On an ongoing basis it is vital that Northern Ireland Screen ensure regular reconciliation between data sources held to report against the new framework to minimise discrepancies. 4) The GVA model should be rerun in April 2010 to account fully for the final impacts of Building on Success. 5) Consideration could be given to collating equality information going forward, in relation to the composition of the screen sector and also the profile of individuals receiving support through Northern Ireland Screen.
Digital Content	6) There is an urgent need for all key stakeholders to engage meaningfully with each other to ensure a cohesive and collaborative route for development of the sector is adopted as envisaged in the Northern Ireland Digital Content Strategy – to compensate for the ground that has been lost thus far in fully embedding the screen sector within this.
Marketing and Information	7) Looking ahead the consultations suggest that Northern Ireland Screen could perhaps focus more in future on integrated marketing of the NI sector as a whole, rather than focusing on promoting individual projects and on promoting the 'all-island' offer more, in the context of co-productions. There has been significant success achieved to date in marketing NI as a location for screen activity on a global platform. As such it is recommended that public sector intervention should be on a declining scale. 8) The consultation process has found that support for familiarisation or 'scouting' visits from potential inward investment production companies is not an important factor in securing production activity. As such it is recommended that funding for such visits should generally not be available and should only be considered where it is clearly additional.

Fund Specific Recommendations	
NISF	9) The NISF needs to be pulled through to a future strategy given the additionality and high level of economic returns associated with the fund. This recommendation is made subject to whatever may emerge in terms of BBC commissioning in NI over the forward period. It is clear that if this gathers momentum then some of the TV production activities that have traditionally been supported by the NISF through Invest NI funds could be supported by the BBC. As such the size of the fund should be kept under review on an annual basis potentially with a view to a declining intervention strategy. Looking ahead a balanced portfolio of activity within the NISF should be maintained, to facilitate simultaneous production of small scale projects alongside large scale projects in order to encourage full utilisation of the physical and human resources available in the NI sector. This is also critical to creating greater opportunities for the indigenous sector (e.g. in terms of variety, profile within the production industry and volume of opportunities) which is important to skills development in the future. 10) For the future there should be more emphasis on 'notional' rather than fixed targets between mediums (film/ TV/ digital content etc) because Northern Ireland Screen operate in a demand led environment, because it is not a practice that is in place in other jurisdictions and finally because it is inconsistent with convergence. Economic return targets should remain at current ratios for film and TV. There is not enough evidence to suggest that 4:1 will be achievable on a widespread basis for digital content production and thus this target should be reviewed for a future strategy. The digital content element of a future NISF should also be centred on higher volumes of smaller awards to maximise coverage and meet the scale and nature of demand. 11) Invest NI and Northern Ireland Screen should work together to target inward investment activity in respect of post-production capacity and also consider the opportunities offered by Project Kelvin[27] in this regard to maximise opportunities for NI expenditure associated with the NISF. 12) Invest NI and Northern Ireland Screen should work together to develop an 'infrastructure strategy' to underpin any future strategy. This should focus not only on capacity issues but also quality issues, given some of the remaining issues detected within this Evaluation about the quality of facilities on offer at the Paint Hall.
PDF	13) There is a need for a development fund in a future strategy but the model needs to be reworked by Northern Ireland Screen in terms of determining what will constitute success regarding the value of outputs achieved. Specifically a broader definition of economic return within a future development fund is required to fully capture and evidence outputs. The starting point for agreeing this definition should be an evidenced financial return linked to PDF investment. By way of example, this should include the traditional definition of a commission but should also include any revenue generated from direct sales. However, this is an issue which should be explored further in the economic appraisal. Northern Ireland Screen need to be active in capturing the full spectrum of returns associated with this new definition. A smaller amount should be allocated to a development fund until such time as the economic return from the fund increases significantly. Finally consideration should be given to 'ring-fencing' some of the monies in a future strategy to support a development 'programme'

[27] This is a project being led by DETI which will allow NI to access a high speed data cable and will facilitate predictable, high quality and rapid data transfer to other regions and countries.

Fund Specific Recommendations	
	with 2 or 3 of the larger companies or in respect of consortia bids, to encourage partnership working and consolidation of the sector. The level of the premium on recoupment should be maintained at 50% but kept under review in any future strategy in the event that there is evidence that it has an adverse impact on the uptake of the fund.
BDP	14) The future direction of the BDP should be considered within a renewed focus on the development and implementation of a wider skills strategy, which should be a key area for the next strategy period now that there has been success in building a critical mass of production (and development) activity in NI. For any strategy post March 2010, a policy should be developed around part-payment of places, particularly for repeat company participation. This would serve to increase the VFM of interventions such as the BDP. Such a policy is common practice within the other screen bodies benchmarked for this evaluation and consistent with training and development administered directly by Invest NI. Data should be collected by Northern Ireland Screen on a timely basis regarding the levels of satisfaction with BDP supported activities. 15) Evidence from other jurisdictions also suggests a wider focus to skill and capability development, which may merit consideration for the strategy post March 2010 given the increasing diversity of the screen sector in NI, notwithstanding the observation that the courses and expertise of the Research Centre are widely acknowledged to be excellent.
MAFF	16) MAFF should only be targeted at individuals and smaller companies that are not eligible for GAP support. The overall level of MAFF funding should be reduced and the additionality of MAFF should be kept under review.

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