



Nick Ramsay AM
Chair – Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

5 March 2020

Dear Chair

I am writing in response to the Committee's letter of 21 January. I am sorry for the slight delay in responding.

I can confirm the figures for Welsh spend and recoupment as quoted in the Deputy Minister for Culture, Sport and Tourism's letter to the Committee of the 23 December 2019 are correct. (There have been minor increases in both figures since December!) Both categories have clearly increased since November 2018, which is to be expected given the long term nature of the investments. Total investment through the Media Investment Budget (MIB) has also remained the same between those periods. Whilst the original intention, as part of a partnership agreement with Pinewood, was to invest up to a maximum of £30m through this mechanism, no further funds were invested following Pinewood's decision to exit the MIB process and the subsequent pause of the programme.

Following the launch of Creative Wales on 29 January 2020, the MIB has now officially closed, and no further investments will be made through this programme. All funds recouped to date from the MIB were re-invested into the industry.

Creative Wales is currently exploring options for a new fund that will be industry-driven. Any new fund will be developed in conjunction with the industry to ensure it aligns to their needs. Any future amounts recouped from MIB projects will be reinvested in priority interventions through this new bespoke mechanism.

By its very nature, recoupment can occur for many years after the end of the production, and it is difficult to provide a definitive timeframe of when we expect recoupment to end for each

project. It is also difficult to predict the extent to which full recoupment will be realised for each project. For example, recoupment can be affected due to market forces and changes to intellectual property rights and licensing, along with many other external factors.

Notwithstanding this, we have made some assumptions – based on the nature of individual projects, their circumstances and risk profile – to indicate the potential for each MIB project to recoup its full investment. This information has been added to the table shared with the Committee in December 2019 (attached at Annex A).

Information on Welsh Spend

The ‘Welsh Spend’ figure is the sum, or accumulation, of individual amounts spent by projects/productions on Wales-based goods and services during the project period. These figures were provided by the production company to Welsh Government at the end of productions. Welsh Government did not carry out ongoing tracking of ‘Welsh Spend’ beyond this point, as projects were completed as per the terms of their funding agreements.

Welsh spend was a requirement for all standard MIB projects. Qualifying expenditure was agreed and set out in production finance agreements as core expenditure on good and services supplied by businesses and individual freelancers located in and operating from or within Wales. Located in Wales is defined as having a permanent physical trading address in Wales with at least one permanent full time employee. This definition was applied consistently across all projects. Targets were set for each project, appropriate to individual commercial circumstances and the nature of the investment. Welsh spend targets for each project have also been included in the attached table.

The exception to this is development projects (marked as N/A under Welsh spend in the attached table). Welsh spend was not tracked for development projects as the funding was used for early stage development and was usually very low level. These investments were smaller amounts (c£25k) and were approved on the understanding that the project may not go into full production for a number of years. Investments were made on the basis that, irrespective of the country in which the production is finally made, Welsh Government can recoup the original investment plus an agreed percentage based on commercial rates.

Information on Pinewood Studios Wales

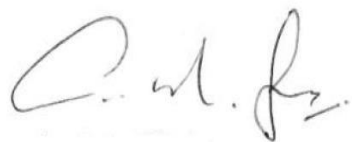
Pinewood Studios Wales is currently fully leased and occupied. 30% of the space is taken up by 14 offices occupied by licensees who are supply chain business to the creative industries. The remaining 70% is used as production rooms and stage space by Bad Wolf.

It is the intention of Welsh Government to keep Pinewood Studios Wales as a studio for the foreseeable future, as there is a shortage of available studio space across the UK. The building will be rebranded when Pinewood leaves in March, but no decisions have yet been made on future branding.

Any future lease arrangements agreed for the studio would need to be on commercial terms. Any profits generated from the operation of the studio would be reinvested into the industry by Creative Wales to deliver the priorities set out in the WG priorities document for the creative

industries. This includes maintaining growth in the screen industry and continuing to position Wales as a top location for film and television production and support for skills and talent development.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'A. Slade', with a stylized flourish at the end.

ANDREW SLADE

Director General

Economy, Skills and Natural Resources

Annex A

MIB figures as included in the Deputy Minister for Culture, Sport and Tourism's letter to Public Accounts Committee of 23 December 2019, including information on targeted Welsh spend and likelihood of further recoupment of investment

Project	Investment Value £m	Amount recouped £m	Net Gain / (Loss) to date £m	Targeted Welsh spend £m	Welsh spend to date £m	Potential to recoup full investment (0-5)*	Comment
Under Pinewood Management							
Take Down	3.144	1.113	(2.031)	1.0	1.089	1	Film has sold in its major markets. Minimal further recoupment expected.
Their Finest	2.000	2.050	0.050	1.3	1.618	1	Recoupment complete in line with agreement. Minimal recoupment expected
The Collection	1.750 ¹	0.250	(1.500)	5.5	5.187	1	Production not picked up for further series. Further recoupment highly unlikely.
Show Dogs	1.566 ²	0	(1.566)	4.737	4.338	0	Box office performance lower than expected. Significant sales required to trigger WG recoupment
Journey's End	0.850	0.631	(0.219)	1.5	0.903	1	Major markets sold. Minimal further recoupment

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

² The investment value includes £362,000 of grant funding from the Media Investment Budget

							expected.
Don't Knock Twice ³	0.630	0.612	(0.0186)	0.63	0.641	3	Any additional money expected into WG government account would be in line with sales
Minotaur	0.026	0	(0.026)	N/A	N/A ⁴	4	In development – full repayment plus premium would be triggered at first day of principle photography
Lionel the First	0.025	0	(0.025)	N/A	N/A ⁵	4	In development – full repayment plus premium would be triggered at first day of principle photography
Total	9.991	4.656	(5.335)	14.667	13.776		
	Under Welsh Government Management						
Trampires ⁶	2.000	0	(2.000)	1.6	1.621	3	Tax Credit due in. Production is seeking distribution.
Eternal Beauty	1.050	0.770	(0.280)	1.214	1.255	4	To be release in 2020. Pre-sales ongoing

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

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

Bang	0.350	0	(0.350)	1.5	2.562	3	Production on series 2 complete. Further sales of series 1 expected.
Tiny Rebel	0.318	0	(0.318)	0.25	0.260	3	Game launching in 2019. Recoupment expected
Goose Green	0.025	0	(0.025)	N/A	N/A ⁷	4	In development – full repayment plus premium would be triggered at first day of principle photography
Almost Never (formerly True Believers) ⁸	0.622	0	(0.622)	2.118	2.118	3	Production on series 2 complete. Further sales of series 1 expected.
Six Minutes To Midnight ⁹	0.750	0.075	(0.675)	3.88	3.520	4	To be released in May 2020. Pre-sales ongoing
Total	5.115	0.845	(4.270)	10.562	11.336		
Overall Total	15.106	5.501	(9.605)	25.229	25.112		

* 0 = very unlikely to reach full recoupment, 5 = very likely to reach full recoupment

⁷ Development funding does not include a Welsh Spend commitment

⁸ In production or production has only recently completed.

⁹ In production or production has only recently completed.