

EVALUATION OF THE CREATIVE INDUSTRIES TRADE NETWORKS

July 2018



TABLE OF CONTENTS

1. INTRODUCTION.....	1
2. SETTING THE CONTEXT	3
3. REVIEW OF PERFORMANCE MONITORING DATA.....	8
4. BENEFICIARY FEEDBACK.....	16
5. ECONOMIC IMPACT ASSESSMENT	28
6. CONCLUSIONS AND KEY LEARNING	37
7. RECOMMENDATIONS.....	44
APPENDIX A: CONSULTEES	51
APPENDIX B: TECHNICAL EIA	52

1. INTRODUCTION

EKOS Ltd were commissioned by Highlands and Islands Enterprise (HIE) to undertake an impact evaluation of the Trade Network support for Creative Industries. The evaluation was completed over the period January to April 2018.

STUDY OBJECTIVES

The over-arching objective of the evaluation was to evaluate HIE Trade Network support for the Creative Industries covering the three-year funding period October 2014 to October 2017. In addition to the summative assessment, the evaluation has a 'forward looking' element that brought out key messages and recommendations to inform the development of the Trade Networks (or alternative support service) beyond the current contracting arrangements.

The specific objectives of the evaluation, as per the specification were to:

1. Undertake an assessment of the effectiveness, efficiency and value-for-money of HIE's investment in each of the four trade networks (screen and broadcast; music; writing and publishing; and crafts, fashion and textiles) over the 3-year period from October 2014 to October 2017.
 - a. Quantify anticipated benefits to individuals and businesses accessing support through the trade networks over this period;
 - b. Focus on key business growth metrics to ascertain the gross and net impact on employment, turnover and Gross Value Added (GVA) impacts;
 - c. Demonstrate the wider impact from product or process innovation and knowledge transfer and collaboration activities from engagement with the trade networks;
 - d. It is imperative that the benefits articulated can be attributed to HIE's investment and looks at return on investment and sets out the sub-sectors of greatest value to the Highlands and Islands.
2. Provide a short assessment of the impacts and benefits generated from those individuals and businesses who have accessed and made use of the wider package of additional support from HIE, including those who have gone into account management as a result of network engagement.
3. Develop a series of recommendations to inform the development of the trade networks beyond the current contract arrangements;
4. Outline the key factors and support needs for growing the Creative Industries sector in terms of infrastructure investment, policy development and cultural offering to inform future engagement with the sector across the Highlands and Islands. This should include a mix of local, regional and international activities where relevant.

STUDY METHOD

In order to ensure a robust evaluation and fully address the research objectives, the study team adopted a mixed method approach. This is detailed below.

Desk Review

The desk based research included a review of a number of background papers, strategy documents, research materials, monitoring data and wider evidence, summarised below:

- activity monitoring data;
- financial expenditure data;
- internal HIE appraisal paper;
- trade network contract specification documents; and
- internal reviews and evaluations.

Fieldwork

The evaluation was informed by a robust fieldwork programme as considered below.

Partners and Stakeholders

Through the study we engaged with 27 individual consultees through one-to-one meetings, telephone consultations and workshop sessions. Details of consultees is presented in **Appendix A** and is broken down as follows:

- 15 from across HIE – senior management, area teams, and sector specialists;
- 4 Network managers; and
- 8 wider stakeholders from the private and public sector.

Beneficiaries

Survey of businesses accessing support through the Trade Networks:

- telephone – 37 responses and
- online – 61 responses.

The survey of beneficiaries is reported in **Section 4**.

Economic Impact Assessment

We developed a bespoke Economic Impact Assessment (EIA) model to measure the impact and benefits delivered to date and those anticipated in the future. The model was designed to analyse the impacts broken down by; businesses that had received more intensive support (>7 hours), and those that received less intensive support (<7 hours).

The impact assessment also provides performance indicators on the economic returns of the support including the Value for Money and Return on Investment. The EIA is provided in **Section 5**.

REPORTING STRUCTURE

The remainder of the report is structured as follows:

Section 2: Setting the Context.

Section 3: Review of Performance Monitoring Data.

Section 4: Beneficiary Feedback.

Section 5: Economic Impact Assessment.

Section 6: Conclusions and Key Learning.

Section 7: Recommendations.

2. SETTING THE CONTEXT

CREATIVE INDUSTRIES IN THE HIGHLANDS AND ISLANDS

According to a baseline analysis completed in 2015, the Creative Industries in the Highlands and Islands employed just over 5,500 people and accounted for a GVA of c £171m in 2013, making the sector the fourth largest of growth sectors identified by HIE. The sector covers a range of sub-sectors, see below.

TABLE 2.1: CREATIVE INDUSTRIES – SUB SECTOR DEFINITION

Cultural Domain	Sub-sectors
Visual Art	Advertising
	Architecture
	Visual Art
	Crafts and Antiques
	Fashion and Textiles
	Design
Performance	Performing Arts
	Music
Audio Visual	Writing and Publishing
Books and press	Libraries and Archives
Digital industries	Software/ Electronic Publishing
Cultural education	Cultural Education

TABLE 2.2: CREATIVE INDUSTRIES - SECTOR OVERVIEW

Employment	5,500	GVA	£171.0m
Location Quotient	0.75	GVA per Employee	£31,080
Businesses	895	GVA per Employee (% national av)	77%
<i>small</i>	870	Labour Costs	£88.3m
<i>medium</i>	10	Labour Costs per Employee	£16,049
<i>large</i>	10	Labour Costs per Employee (% national av)	72%

Source: HIE Creative Industries Baseline, 2015

The key messages from the baseline are:

- the top three sectors (in terms of number of employees) are:
 - Software and Electronic Publishing (20% of total)
 - Writing and Publishing (15% of total)
 - Architecture; (9% of total)
- over 98% of businesses employ less than 49 people with 53% operating as sole traders;
- the average productivity (GVA output) and salaries are notably lower than the national average – around three quarters of the national level;
- performance has fluctuated over recent years. Job losses in some areas of textile manufacturing led to an overall contraction in the sector, with more recent recovery driven by computing consultancy and some manufacturing gains, but not to the level that has yet offset previous losses;
- the geographic coverage (i.e. where businesses are based) is representative of the economy as a whole, with around half of all Creative businesses based within the Highland local authority area; and
- the report notes issues with capturing the full value of the sector not least in relation to non VAT registered enterprises and the value created by individuals (e.g. the writer receiving an advance).

The overall assessment suggests a significant but still somewhat fragmented sector, with large disparities in scale of the individual enterprises and an ongoing degree of reliance on freelancers and sole traders. The implications for HIE support are twofold:

- taken as a whole, the Creative Industries continue to have an important role within the region's economy and therefore present a strong case for HIE support; and
- the specific structure of the sector suggests a need for a less traditional support model if resources are to be used effectively.

THE TRADE NETWORKS

History of Support for the Creative Industries

The Creative Industries in the Highland and Islands are complex and diverse, ranging from voluntary, community based arts activity to commercially successful businesses working in different sectors of the creative economy. In common with the pattern typically observed in rural creative economies, the sector is characterised by fluid networks of individual practitioners, freelance workers and micro-businesses often operating across more than one creative discipline. Although there are obvious concentrations of activity in centres like Inverness, the sector is buoyant throughout the region, with small clusters in places like Shetland, Skye and the Western Isles, often strongly linked into the local cultural scene e.g. Gaelic heritage within Innse Gall.

HIE has long recognised this structure and has sought to develop interventions that can help address the inevitable issues of fragmentation that it creates. This is achieved both by adopting a flexible approach to business support and by helping to establish and develop **collaborative networks** within the sector.

In the past, this approach has significantly raised the profile of the creative sector in the region, most visibly in areas like music and screen production. The network model is based on two basic assumptions:

- networks of very small businesses and sole traders can create greater scale and economic impact through collaboration, enabling higher levels of business activity and internationalisation; and
- the delivery of business support via the network model enables HIE to achieve greater reach into the sector than would otherwise be possible within the resources available to the organisation, not least as the majority of businesses in the sector would not meet the criteria for account management support.

A previous evaluation of HIE's support to the sector¹ found that both of these assumptions held good, and that the network model was delivering strong value for money in economic development terms.

The early work of GoNorth (now XPONorth) working alongside the Trade Networks has also been instrumental in helping to build the reputation of the creative industries in the area, and has grown to become a key event in the national and international calendar.

Delivery of the Trade Networks 2014 – 2017

The programme for 2014-2017 was designed to build upon the success of the 2010-2013 programme, although it did reflect changes within both the strategic environment (HIE's emerging Creative Industries Strategy was launched in 2014) and recommendations outlined in the EKOS evaluation (2013).

The main changes to the Trade Networks' programme included:

- proactively identifying and targeting companies with the greatest commercial opportunity – recognising that a small proportion of businesses have a disproportionate influence on overall sectoral growth;
- internationalisation and opportunities for exporting;
- supply chain development; and
- digital economy.

¹ Evaluation of HIE's Support to the Creative Industries, EKOS 2013

The 2014 – 17 programme was competitively tendered under four individual contracts, with an additional contract tendered for the delivery of the XpoNorth event.

TABLE 2.3: CONTRACT DELIVERY

	Supplier
Screen and Broadcast	Screen HI
Music	The Ironworks
Crafts, Fashion, and Textiles	Emergents
Writing and Publishing	Emergents
Xpo North Festival	Screen HI

The Networks provide a broad range of support including: providing access to industry leaders and wider peer support through networking events, mentoring support, access to grant support/innovation funding, support and funding to attend trade events, skills development, guidance on exporting, access to market research

Table 2.4 provides details on the number of supported businesses/individuals broken down by area.

TABLE 2.4: ACTIVITY DATA

	Number of individuals supported	% of total
Argyll & the Islands	178	9%
Caithness & Sutherland	130	6%
Inner Moray Firth	550	27%
Innse Gall	203	10%
Lochaber, Skye & Wester Ross	450	22%
Moray	245	12%
Orkney	100	5%
Shetland	146	7%
HIE Total	2,002	100%

As to be expected, the IMF, which acts as the commercial hub for the Highlands and Islands accounts for a notable number of interventions (just more than one in four). That being said, there are other sub-regions where there is both a notably high and low concentration of interventions. Over one in every five businesses supported through the Trade Networks were located in Lochaber, Skye, and Wester Ross. Conversely, Argyll and the Islands which accounts for around 18% of the total Creative Industries business base only accounts for 9% of interventions.

There are likely to be a range of drivers for this, including; composition of the local Creative Industries market, maturity of the business base (i.e. lots of small businesses and sole traders), limited engagement with the area teams, hosting of local events, and sub-regional priorities.

STRATEGIC FIT AND CONTRIBUTION

This section considers the strategic rationale for HIEs intervention and reviews the project's fit with, and contribution to, relevant economic development policy priorities.

Government Economic Strategy, 2015

The over-arching strategy for economic development in Scotland is founded on the principal of delivering against the 4I's

- Investment;
- Innovation;
- Internationalisation; and
- Inclusive Growth.

Within this, the strategy maintains a focus on key sectors as the drivers of future growth, including the Creative Industries. This provides the high level strategic context for HIE's intervention via the Trade Networks.

More specifically, the work of the Trade Networks has the potential to contribute to the priorities of the Government Economic Strategy priorities through:

- the focus on connecting companies and practitioners to markets, with a view to increasing **investment** into the sector;
- a strong emphasis on **innovation** as the driver of future competitiveness across the sector, raising overall levels of innovation in the region
- building **international** market connections through trade fairs, overseas missions and international collaborations and relationships; and
- recognition of the importance to local communities of the Creative Industries, particularly in some of the more remote parts of the Highlands and Islands, contributing to the priorities around **inclusive growth** and community empowerment.

Highlands and Islands Enterprise – Operating Plan 2017-18

The HIE Operating Plan outlines priorities to support the delivery of its vision statement - making the Highlands and Islands a highly successful and competitive region, in which increasing numbers of people choose to live work, study and invest.

There are three priorities to which the Trade Networks contribute:

- **supporting businesses and social enterprises to shape and realise their growth aspirations** – the Trade Networks offers tailored support to creative businesses to expand and take advantage of international markets, with the most recent contract having a significant focus on commercialisation;
- **strengthening communities and fragile areas** – the Trade Networks help to support valuable employment in rural communities, helps to retain young people and strengthen local communities; and
- **developing growth sectors, particularly distinctive regional opportunities** – this priority is a strong focus of the Trade Networks, supporting the development of regionally distinctive creative sectors.

ERDF, 2014 – 2020

The European Regional Development Fund (ERDF) has a number of thematic objectives which the Trade Networks programme contributes:

- **strengthening research, technological development and innovation** – through the delivery of targeted business support, the Trade Networks encourage the uptake of innovative practices amongst rural creative businesses, for example through referrals to Interface and the Innovate Your Business scheme;
- **enhancing access to, and use and quality of, information and communication technologies** – the Trade Networks programme provides support to encourage the use of digital technology, including improved use of on-line sales techniques; and
- **enhancing the competitiveness of SMEs** – the Trade networks programme contributes to this priority by providing business support to enhance the competitiveness of creative businesses in the Highlands and Islands.

HIE Creative Industry Strategy, 2014 -2019

The HIE Creative Industries Strategy was developed in 2014 and sets out a vision for the sector as follows:

To establish a vibrant, competitive and sustainable creative economy in Scotland's Highlands and Islands, which builds upon the energy and traditions of its remote, rural communities and its global connectedness.

Three aims support the delivery of this vision, each with a series of supporting objectives:

- Build the region's profile and reputation as an exemplar for the successful development of the creative economy in remote, rural regions;

- Support emerging and established creative entrepreneurs with the aptitude, flexibility and tenacity to build dynamic, innovative, sustainable and competitive (DISC) creative businesses within the region; and
- Leverage more from existing assets and activities, to ensure the most appropriate support for creative businesses is provided across the region and to ensure that HIE sees an appropriate return on its investment.

The Creative Industries strategy provides a clear framework both for the recommissioning of the Trade Networks and for the focusing of their activities on access to finance, commercial network and developing new markets.

MARKET FAILURE

Alongside the strategic case, the starting point for public sector intervention is to establish an efficiency rationale based around market failure – where the private sector cannot or will not deliver ‘optimum’ outcomes there may be a need for public sector intervention. The first consideration is identifying the nature and scale of the market failure, and the second consideration is that the proposed intervention will address the market failure (i.e. promote market adjustment).

Imperfect Information

Information is needed for markets to operate efficiently. Where it is not fully available to both sides of the market (buyers and sellers), market failure can occur restricting the supply or demand for goods and services.

To a large extent, with the growth of digital technologies and social media and the vast majority of businesses/individuals having access to the internet this has become less of an issue. While across the more remote rural areas there are still some gaps in digital connectivity, across the Highlands and Islands more generally access to information is no longer considered a major constraint for the sector.

There is, however, still a challenge with regards to the quality of information that is available – ‘information overload’, with businesses having to differentiate between ‘good’ and ‘bad’ advice and information.

As evidenced in the 2013 evaluation, volume support services such as Business Gateway and similar services are not always entirely appropriate to work with and support the Creative Industries who often operate within niche markets, and have bespoke structures and business models.

In particular, identifying and accessing new market opportunities is a constraint to growth and an area where more general business support provision does not provide the intelligence/information that will support creative businesses to penetrate these markets. Three in five (60%) of the businesses surveyed through the evaluation identified that accessing new markets was a challenge for them, and along with accessing finance, was the main challenge they faced.

The Trade Networks address this market failure through linking businesses with sector specialists that have both knowledge and experience of working within sector, and have access to industry contacts and networks – supporting businesses to identify and access opportunities within new (and existing) markets.

Scale and Institutional Barriers

As highlighted above, 98% of Creative Industries employ less than 49 people and 53% operate as sole traders – this likely doesn’t capture all those that are freelance, nonetheless, the general message remains the same that the Creative Industries are characterised by small businesses. As a result, there are likely ‘scale’ issues that the Creative Industries face, for example in terms of deploying resources, access to finance/investment, and developing new opportunities. These challenges with scale will have a direct impact upon the sectors opportunity to grow – both in absolute and proportionate terms.

A key objective for the Trade Networks support is encouraging and facilitating collaboration, both within the sector and across wider stakeholders such as Interface who promote opportunities to work and collaborate with the academic base

This wider facilitation and co-ordinating role played by the Trade Networks will help address the challenges of scale faced by the Creative Industries.

3. REVIEW OF PERFORMANCE MONITORING DATA

This section presents the project monitoring data and information and includes consideration of; the inputs (project financial data), the activities (the support delivered via the contract) and the outputs (what has been achieved and delivered).

INPUTS

As highlighted above, the Trade Network support was tendered via five individual contracts across three external suppliers - Screen Hi, the Ironworks, and Emergents, and is funded by HIE with co-finance from ERDF.

Each contract has a fixed monthly budget for the three year duration of the contract which is linked to the delivery of a number of activities. Contract payments are paid in arrears on submission of an activity report. **Tables 3.1** and **3.2** provide detail on the monthly budgets and total project costs.

TABLE 3.1: MONTHLY CONTRACT COSTS

	EU ERDF	HIE Gia	Total
Writing and Publishing	£4,298	£6,448	£10,746
Craft, Fashion, and Textiles	£4,618	£6,927	£11,545
Music	£5,666	£8,500	£14,166
Screen and Broadcasting	£4,600	£6,900	£11,500
XpoNorth	£7,180	£10,770	£17,950
Monthly contract costs	£26,363	£39,544	£65,907

TABLE 3.2: TOTAL PROJECT COSTS, 2014 – 2017

	EU ERDF	HIE	Total	% of total
Writing and Publishing	£154,740	£232,110	£386,850	16%
Craft, Fashion, and Textiles	£166,252	£249,378	£415,630	18%
Music	£203,990	£305,986	£509,976	21%
Screen and Broadcasting	£165,600	£248,400	£414,000	17%
XpoNorth	£258,480	£387,720	£646,200	27%
Total project costs	£949,063	£1,423,593	£2,372,656	

The total budget for delivery of the Trade Network support was **£2,372,656** over the three-year period, although please note that this includes expenditure of £646,200 to deliver the XpoNorth festival which takes place over two days in the summer (usually the end of June).

Funding for the support has been drawn down from ERDF, £949,063 which represents an intervention rate of 40% and match funding of £1,423,593 from the HIE Grant In Aid (GIA) contribution.

The allocated project budget has been spent in full.

As part of the evaluation we have considered the project spend against the previous contract (2010 – 2013)². As a note of caution we would highlight that there are some differences in the delivery models and therefore the data does not represent a direct comparison.

Nonetheless, the table shows the notable growth in the total budget to deliver the support, +£0.9 million (+61%) and in particular, we would note that the budget to deliver the Writing and Publishing and Craft, Fashion, and Textiles Networks has more than doubled since the previous contract.

TABLE 3.3: PROJECT BUDGETS (2010 - 13 vs 2014 - 17)

	2010 - 2013	2014 - 2017	Absolute change	% Change
Publishing and Writing	£173,750	£386,850	£213,100	123%
Craft, Fashion	£185, 250	£415,630	£230,380	124%
Music, Screen, and Broadcasting (including XpoNorth Festival)	£1,302,884	£1,570,176	£267,292	21%
Total	£1,476,634	£2,372,656	£896,022	61%

ACTIVITIES AND OUTPUTS

Activity Data

The activity data is based on the individual contract specifications and is summarised below.

² Evaluation undertaken by EKOS Ltd, February 2013

TABLE 3.4: CRAFT, FASHION & TEXTILES TRADE NETWORK – ACTIVITY DATA

Activity	Year 1			Year 2			Year 3		
	Target	Achieved (Number)	%	Target	Achieved (Number)	%	Target	Achieved (Number)	%
Engage with individuals/organisations	50	84	168%	50	219	438%	50	132	264%
Engage with HIE area offices	8	8	100%	8	8	100%	8	8	100%
Industry/public sector steering groups/panels	2	9	450%	2	10	500%	2	9	450%
Networking event delivery	5	13	260%	5	10	200%	5	11	220%
International collaboration project	1	2	200%	1	4	400%	1	5	500%
Deliver participant events	3	12	400%	3	5	167%	3	19	633%
Support businesses moving into/growing in UK and international markets	20	29	145%	20	31	155%	20	63	315%
Attend international level trade events	3	5	167%	3	4	133%	3	4	133%
New network (international markets) or expansion of a current project	1	4	400%	1	4	400%	1	3	300%
Project helping young people to enter the industry	1	1	100%	1	4	400%	1	4	400%
New/deeper partnership deal	1	2	200%	1	3	300%	1	6	600%
Steering group meetings	8	8	100%	8	8	100%	8	8	100%
Monthly newsletter/social media campaign	12	12	100%	12	12	100%	12	12	100%
Promotional events directly linked to building HIE's reputation	3	4	133%	3	4	133%	3	4	133%
Video/ other case studies	5	22	440%	5	38	760%	5	11	220%
Additional project/opportunity to HIE	1	2	200%	1	2	200%	1	3	300%
Key sessions highlighting areas of opportunity in this sector	3	9	300%	3	8	267%	3	5	167%

TABLE 3.5: MUSIC TRADE NETWORK – ACTIVITY DATA

Activity	Year 1			Year 2			Year 3		
	Target	Achieved (Number)	%	Target	Achieved (Number)	%	Target	Achieved (Number)	%
Engage with individuals/organisations	50	124	248%	50	84	168%	50	91	182%
Engage with HIE area offices	8	8	100%	8	8	100%	8	8	100%
Industry/public sector steering groups/panels	2	14	700%	2	20	1000%	2	10	500%
Networking event delivery	5	18	360%	5	10	200%	5	9	180%
International collaboration project	1	6	600%	1	5	500%	1	13	1300%
Deliver participant events	3	9	300%	3	7	233%	3	7	233%
Support businesses moving into/growing in UK and international markets	20	48	240%	20	42	210%	20	35	175%
Attend international level trade events	3	7	233%	3	8	267%	3	7	233%
New network (international markets) or expansion of a current project	1	5	500%	1	4	400%	1	3	300%
Project helping young people to enter the industry	1	4	400%	1	10	1000%	1	12	1200%
New/deeper partnership deal	1	3	300%	1	5	500%	1	2	200%
Steering group meetings	8	10	125%	8	9	113%	8	1	13%
Monthly newsletter/social media campaign	12	24	200%	12	15	125%	12	12	100%
Promotional events directly linked to building HIE's reputation	3	8	267%	3	7	233%	3	13	433%
Video/ other case studies	5	6	120%	5	8	160%	5	5	100%
Additional project/opportunity to HIE	1	5	500%	1	4	400%	1	4	400%
Key sessions highlighting areas of opportunity in this sector	3	8	267%	3	6	200%	3	9	300%

TABLE 3.6: SCREEN & BROADCAST TRADE NETWORK – ACTIVITY DATA

Activity	Year 1			Year 2			Year 3		
	Target	Achieved (Number)	%	Target	Achieved (Number)	%	Target	Achieved (Number)	%
Engage with individuals/organisations	50	*	0%	50	*	0%	50	*	0%
Engage with HIE area offices	8	8	100%	8	8	100%	8	8	100%
Industry/public sector steering groups/panels	2	6	300%	2	15	750%	2	6	300%
Networking event delivery	5	13	260%	5	13	260%	5	8	160%
International collaboration project	1	2	200%	1	3	300%	1	2	200%
Deliver participant events	3	3	100%	3	10	333%	3	4	133%
Support businesses moving into/growing in UK and international markets	20	*	0%	20	*	0%	20	*	0%
Attend international level trade events	3	6	200%	3	9	300%	3	10	333%
New network (international markets) or expansion of a current project	1	3	300%	1	3	300%	1	3	300%
Project helping young people to enter the industry	1	6	600%	1	8	800%	1	11	1100%
New/deeper partnership deal	1	1	100%	1	4	400%	1	2	200%
Steering group meetings	8	9	113%	8	10	125%	8	9	113%
Monthly newsletter/social media campaign	12	4	33%	12	8	67%	12	6	50%
Promotional events directly linked to building HIE's reputation	3	4	133%	3	3	100%	3	4	133%
Video/ other case studies	5	65	1300%	5	4	80%	5	3	60%
Additional project/opportunity to HIE	1	3	300%	1	0	0%	1	0	0%

*No data available

TABLE 3.7: WRITING & PUBLISHING TRADE NETWORK – ACTIVITY DATA

Activity	Year 1			Year 2			Year 3		
	Target	Achieved (Number)	%	Target	Achieved (Number)	%	Target	Achieved (Number)	%
Engage with individuals/organisations	50	*	0%	50	*	0%	50	*	0%
Engage with HIE area offices	8	8	100%	8	8	100%	8	8	100%
Industry/public sector steering groups/panels	2	6	300%	2	15	750%	2	6	300%
Networking event delivery	5	13	260%	5	13	260%	5	8	160%
International collaboration project	1	2	200%	1	3	300%	1	2	200%
Deliver participant events	3	3	100%	3	10	333%	3	4	133%
Support businesses moving into/growing in UK and international markets	20	*	0%	20	*	0%	20	*	0%
Attend international level trade events	3	6	200%	3	9	300%	3	10	333%
New network (international markets) or expansion of a current project	1	3	300%	1	3	300%	1	3	300%
Project helping young people to enter the industry	1	6	600%	1	8	800%	1	11	1100%
New/deeper partnership deal	1	1	100%	1	4	400%	1	2	200%
Steering group meetings	8	9	113%	8	10	125%	8	9	113%
Monthly newsletter/social media campaign	12	4	33%	12	8	67%	12	6	50%
Promotional events directly linked to building HIE's reputation	3	4	133%	3	3	100%	3	4	133%
Video/ other case studies	5	65	1300%	5	4	80%	5	3	60%
Additional project/opportunity to HIE	1	3	300%	1	0	0%	1	0	0%

*No data available

Overall, the Trade Networks have delivered against the contract specifications with the majority of activity indicators having been exceeded (and in some cases significantly exceeded) on an annual basis.

There were some areas of underperformance within the Screen & Broadcast and Writing & Publishing Trade Networks and in the main these related to the publication of newsletters and case study materials.

Outputs

The internal HIE appraisal paper which was the basis for approval and funding for the Trade Networks identifies a range of expected outputs. While some of these outputs are captured via the activity data reports (presented above) monitoring arrangements proved inadequate. This resulted in a lack of evidence to inform the evaluation.

In light of this lack of performance information, we have provided comments based on the evidence obtained through the evaluation.

1. **Output indicator:** 200 businesses facilitated through provision of advice and training.

EKOS Comment: Based on HIE internal data, 222 businesses supported were 'new starts' – this represents an achievement rate of 111% against the target outlined in the Appraisal Paper.

2. **Output indicator:** 300 jobs created.

EKOS Comment: Based on HIE internal data, 135 permanent and 40 non-permanent FTE jobs have been created – 175 total jobs. The Trade Networks have notably under delivered against the jobs target – 58% achieved.

3. **Output indicator:** of the businesses supported, trade networks to assist internationalisation proportionately as follows: 55% Music, 30% Writing & Publishing, 20% Screen & Broadcast, and 15% Crafts, Fashion & Textiles.

EKOS Comment: No data available.

4. **Output indicator:** Increase in GVA totalling £9m.

EKOS Comment: No GVA data is gathered by HIE. The EIA identifies that the Trade Networks have helped deliver net additional GVA (to date) of £3.7m (40% optimism bias) to £6.1m (no optimism bias). The Trade Networks have therefore notably under delivered against this output target, 41% to 68%, respectively. This reflects the underperformance against the jobs target.

5. **Output indicator:** 1 major international showcase event.

EKOS Comment: No data available.

6. **Output indicator:** 3 additional showcase events.

EKOS Comment: No data available.

7. **Output indicator:** 6 trade events attended

EKOS Comment: No data available.

8. **Output indicator:** 20 local events.

EKOS Comment: No data available.

9. **Output indicator:** Close working with all HIE area offices, and SDI; with 5 new businesses per annum presented for consideration into the Account Management or SDI pipelines.

EKOS Comment: No data available.

10. **Output indicator:** Partnerships and representation/participation in 6 national / international panels / advisory groups / programmes.

EKOS Comment: No data available.

We would also note that the 'outputs' identified within the appraisal paper contain a mix of indicators - outputs (e.g. delivery of showcase events), outcomes (e.g. jobs), and impacts (e.g. GVA). As per the recommendations presented in **Section 7**, future interventions should undertake a 'Routes to Impact' logic modelling exercise to help inform the development of a more robust and transparent Performance Monitoring Framework.

4. BENEFICIARY FEEDBACK

This section presents the feedback from the survey of supported businesses/beneficiaries that have engaged with, or received support through the Trade Networks.

INTRODUCTION

This section provides analysis of the survey undertaken with businesses supported through the Creative Industries Trade Networks.

Feedback was gathered through two methods:

- telephone interviews were completed with 37 businesses (those receiving more intensive support, >7 hours); and
- an online survey received an additional 61 responses (open to all those that received support).

Table 4.1 reports on the numbers of respondents by the Trade Network they received support from, and **Table 4.2** by Creative Industries sub sector.

TABLE 4.1: TOTAL RESPONSES

Trade Network	Number	%
Music	19	19%
Writing and publishing	28	29%
Screen and broadcast	9	9%
Fashion, crafts, and textiles	38	39%
More than 1 Network	4	4%
Total	98	100%

N=98

Note: Four respondents had support from one than one Trade Network

TABLE 4.2: RESPONSES BY SUB SECTOR

Sector	Number	%
Crafts	34	35%
Publishing (including writing)	26	27%
Music	17	17%
Design (including fashion)	6	6%
Film	7	7%
Performing arts	3	3%
Digital media (including social media)	1	1%
Visual arts	1	1%
Photography	1	1%
Computer games	1	1%
Other	1	1%
Total	98	100%

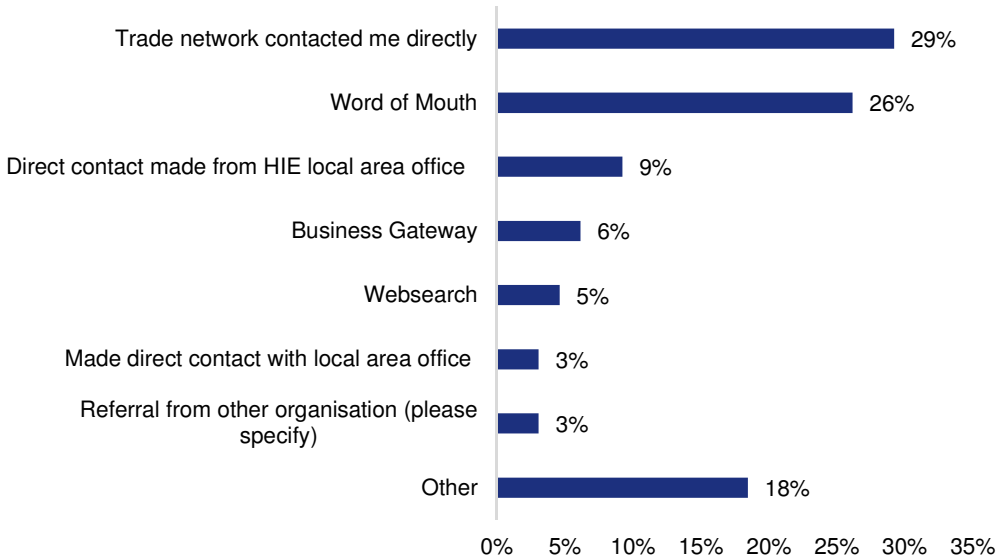
N=98

Note: The response provided under 'other' was a workspace for creative businesses that provides services to range of sectors

PRE-SUPPORT

The most common way in which supported businesses became aware of the Trade Networks was through direct contact from the Networks (29%), followed by word of mouth (26%). We would note that this is a relatively resource intensive approach to marketing and promotion and perhaps points to a need for greater awareness raising and also engagement with partners to encourage and facilitate greater levels of cross referral.

FIGURE 4.1: HOW DID YOU FIND OUT ABOUT THE SUPPORT??

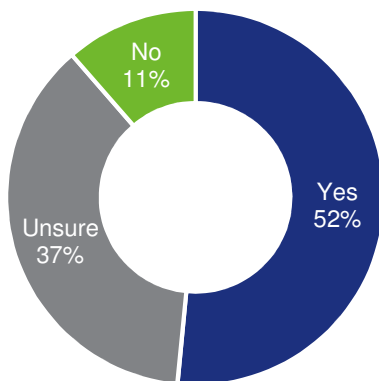


N=65

Responses under 'other' included at an event, through seeing an advert, and seeing a newspaper article. It is perhaps worth noting the relatively lower levels of referral from either Business Gateway or the HIE Network itself.

Just over half of supported businesses (52%) agreed that the support offered through the Trade Networks was well promoted and marketed, while 37% were unsure.

FIGURE 4.2: IS THE SUPPORT WELL PROMOTED?



N=97

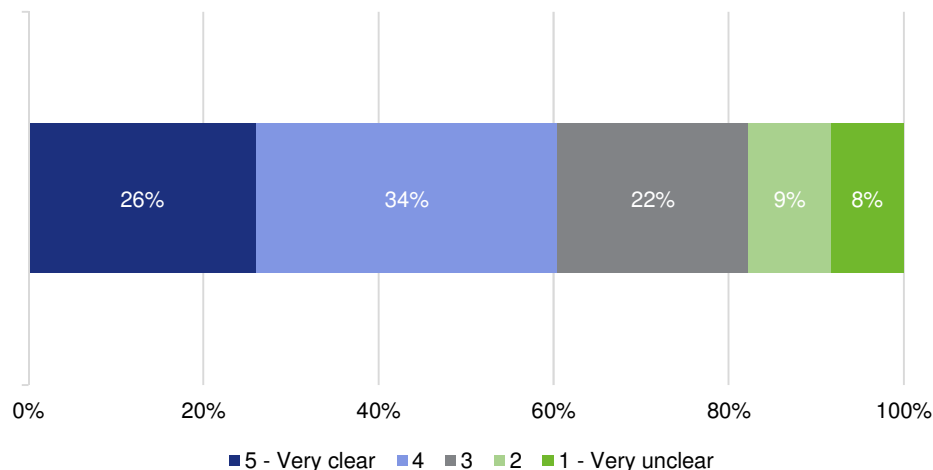
The regular email newsletters and strong social media presence were identified as important for promoting and marketing the support. Overall, respondents felt that the sector as a whole is quite well informed of support provision that is available to them, including the Trade Networks.

Those that responded 'unsure' or felt that the Networks were not well promoted or marketed felt the message was somewhat confusing and they didn't have a clear understanding about the different agencies and their roles (e.g. HIE, XpoNorth, Emergents).

Others reported that once they were 'in the loop' they were kept up to date with Trade Network news and events, but were unsure if everyone was in this position.

Three in five (60%) of supported businesses felt that, from their initial engagement, it was clear what type of support was available through the Trade Networks and its relevance to their business.

FIGURE 4.3: INITIAL CLARITY OF AVAILABLE SUPPORT AND ITS RELEVANCE



N=97

Prior to engaging with the Trade Networks, the Creative Industries faced a range of challenges and constraints to growth. These included difficulties with accessing finance/investment, cited as a significant challenge by 39%, and accessing new international markets (37%) and lack of information/intelligence about accessing international markets (34%).

TABLE 4.3: CHALLENGES FACED PRIOR TO SUPPORT

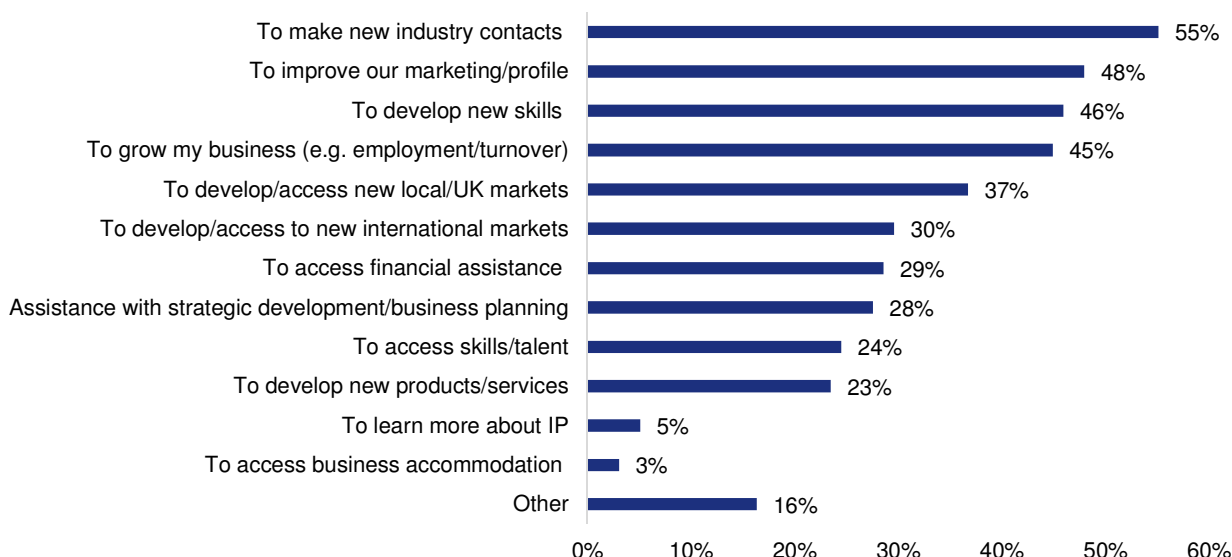
	Significant challenges	Minor challenges	No challenges
Difficulties in accessing finance/investment	39%	21%	40%
Access to new markets – internationally	37%	23%	40%
Lack of information/intelligence about international markets	34%	16%	50%
Access to existing markets - internationally	29%	20%	51%
Access to networking opportunities	29%	36%	35%
Access to new markets – local/UK	29%	35%	36%
Access to suitable training opportunities	25%	30%	45%
Lack of knowledge/ability to undertake service/product dev't	19%	36%	45%
Access to existing markets – local/UK	19%	38%	44%
Access to supplier/supply chain	19%	30%	51%
Knowledge on intellectual property management	16%	31%	53%
Availability of skilled people	13%	24%	64%
Staff not sufficiently skilled	12%	25%	64%
Availability of creative talent	8%	13%	80%
Other	16%	19%	65%

Challenges specified under 'other' were access to resources/infrastructure, a need for feedback on their latest work, and the motivation/energy to continue.

SUPPORT RECEIVED

Across the four Networks the top reasons for accessing support through the Networks identified by businesses were: 1. to make new industry contacts (55%), 2. to improve their marketing/profile (48%), 3. to develop new skills (46%), and 4. to grow their business (45%).

FIGURE 4.4: REASONS FOR ACCESSING TRADE NETWORK SUPPORT



N=98

Interestingly, while 61% of respondents reported that accessing finance was either a significant or minor challenge for their business, only 29% responded that they accessed the Trade Networks to access financial assistance. While the Trade Networks do not provide grants, they do have links with support provision that does, for example, HIE's 'Innovate your Business' grant.

Responses under 'other' included:

- to receive feedback on the products they had developed from an experienced professional (three responses);
- to gain access to a trade show (two responses);
- to take advantage of any specific opportunities which may arise (two responses); and
- to keep up to date with what is happening in the wider industry (two responses).

Respondents were asked to provide more detail on the specific challenges and opportunities they were hoping to address through engaging with the Trade Network. Key themes across each of the Trade Networks were:

- support with travel costs to attend events;
- building their knowledge and skills in specific areas, such as marketing, getting a novel published, website development;
- developing networks of contacts within the Highlands and Islands and gaining insight into what others are doing; and
- feeling more involved within a creative scene and help with building their profile.

“As a tiny record label and a music artist based in the middle of nowhere, networking and access to industry know-how used to mean a flight to London. XpoNorth has completely changed that.”
Music Trade Network beneficiary

“Due to our remote Highland location it's crucial that we network with other creatives across a disparate geographical area.”
Fashion, Crafts & Textiles Trade Network beneficiary

The type of support received by businesses varied by Trade Network, with the full breakdown shown in Table 4.4. The most common types of support within each network were:

- **Music:** general business advice (75%), attendance at networking events (70%) and access to industry leaders/experts (70%);
- **Writing and Publishing:** networking events (42%), marketing advice/support (35%) and access to industry leaders/experts (29%);
- **Screen and Broadcast:** access to industry leaders/experts (73%), networking events (55%), and support with trade shows/showing and funding/grant applications (both 45%); and
- **Fashion, Crafts and Textiles:** support with trade shows/showcasing (69%) and networking events and general business advice (both 48%).

TABLE 4 4: TYPE OF SUPPORT ACCESSED, BY TRADE NETWORK

	Music	Writing and Publishing	Screen and Broadcast	Crafts, Fashion and Textiles
General business advice	75%	23%	36%	48%
Access to industry leaders/experts (as speakers or direct contact)	70%	29%	73%	43%
Referral/signposting to other support providers	50%	26%	27%	33%
Equipment (access/funding for)	10%	6%	18%	10%
Mentoring support	35%	23%	36%	36%
Access to networks	55%	26%	73%	36%
Attendance at networking events	75%	42%	55%	48%
Research and Development/ innovation training	5%	6%	18%	12%
Marketing advice/support	25%	35%	27%	43%
Trade events/showcasing/ funding to attend	50%	10%	45%	69%
Funding/grants – signposting and application development	25%	10%	45%	26%
Development/innovation grant	0%	3%	0%	12%
Exporting guidance/support	5%	3%	0%	12%
Skills development	25%	26%	27%	21%
Signposted to summer/graduate placement programme	5%	0%	9%	2%
IP advice and guidance	15%	0%	9%	5%
Overseas market support/research	10%	0%	9%	12%
Businesses supported	20	31	11	42

Generally all aspects of the Trade Network support were rated highly, as shown in **Figure 4.5**.

FIGURE 4.5: SATISFACTION WITH ASPECTS OF SUPPORT (% satisfied/very satisfied)



Respondents also detailed what they felt was the most valuable aspect of the Trade Networks support. A selection of responses are shown in text boxes. Key themes across the answers included:

- the exposure to new audiences and industry figures that they were unlikely to access without support;
- the relationship they developed with Trade Network staff, and how valued they felt;
- the opportunity to meet others within the same sub-sector;
- having someone available to answer questions and offer advice; and
- links with students/graduates.

“The workshops/events organised by Cr&FT have been very valuable, but also the networking in relation to these events. The cost and time associated with travelling to such events can be very high when based in the Outer Hebrides, so the travel bursaries offered by Cr&FT/Emergents have been most helpful.”
Crafts, Fashion & Textiles Trade Network beneficiary

“I’ve found various aspects valuable, but I reckon the ability to network with industry experts has been the most valuable to me as I now have contacts that would have otherwise been near impossible in the Highlands.”
Music Trade Network beneficiary

“The fervour and passion of the staff is second to none, and the local support they provide to the Highlands and Islands is very much needed.”
Writing & Publishing Trade Network beneficiary

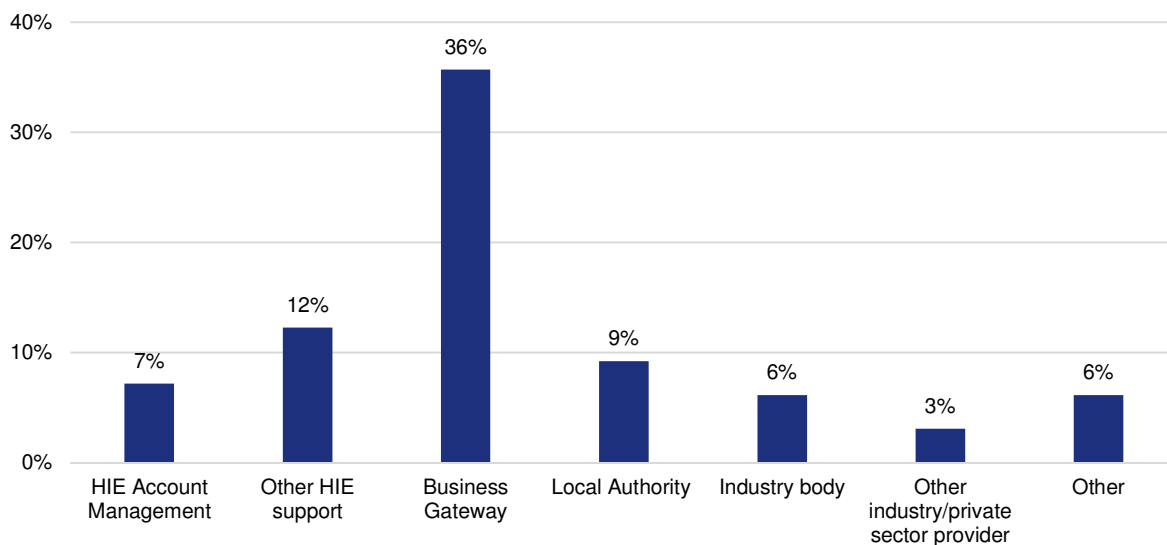
“Most valuable has been the relationship with the person running the Trade Network. It gives you a sense of being connected and a sense of scale. You feel plugged into a wider network, not working in isolation.”
Screen & Broadcast Trade Network beneficiary

“It made me feel like I really mattered – that our wee business was important, the way other organisations didn’t.”
Screen & Broadcast Trade Network beneficiary

OTHER SUPPORT RECEIVED

Just over half (53%) of respondents had accessed business development support from another provider, in addition to the Trade Network. By far the most common support provision was through Business Gateway, with over one third of businesses (36%) reporting that they have engaged with the service – this is unsurprising as the Gateway has a fairly broad remit for support provision and (in principle) acts as the first point of contact for SMEs in the region.

FIGURE 4.6: SUPPORT RECEIVED FROM OTHER PROVIDERS (% accessing)



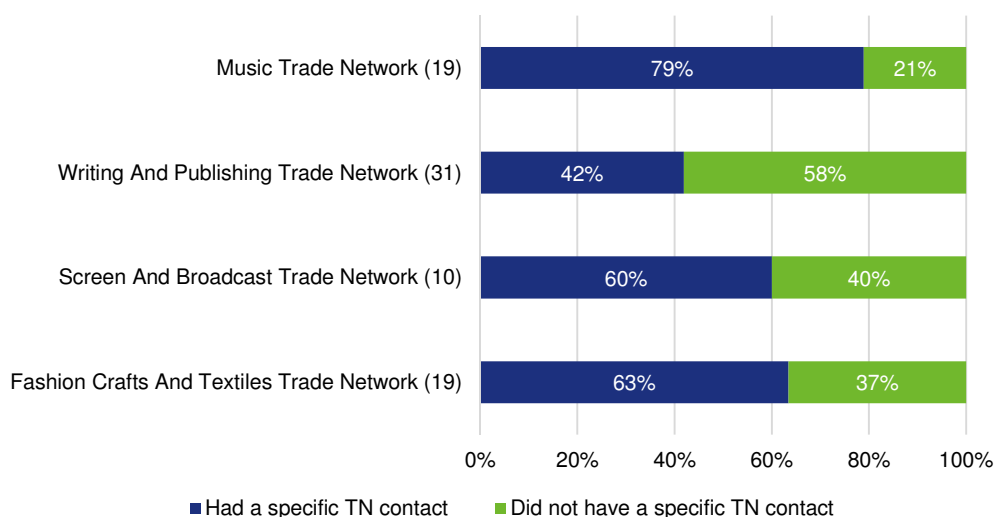
N=98

Responses under 'other' were Comhairle nan Leabhraichean (Gaelic Books Council), Findhorn Bay Arts, the Cultural Enterprise Office and Creative Scotland.

TRADE NETWORK CONTACT

The proportion of respondents reporting that they had a specific Trade Network contact providing them with advice and guidance varied from 42% for Writing and Publishing to 79% for Music.

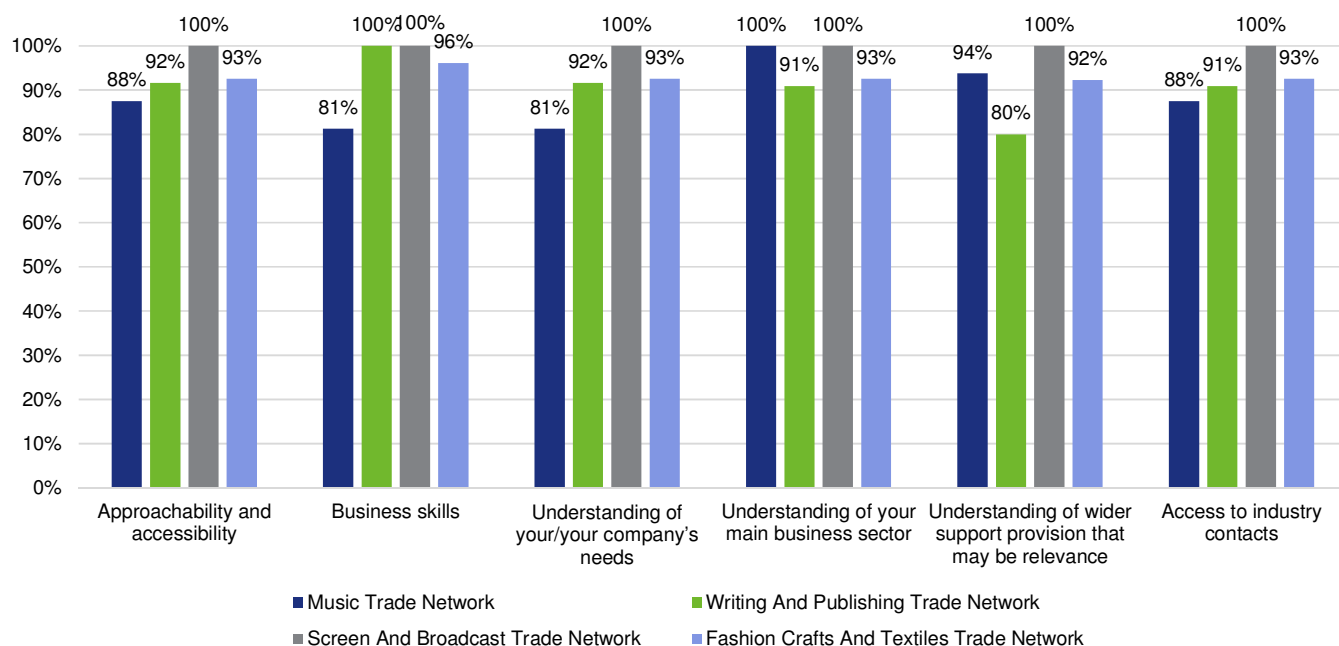
FIGURE 4.7: TRADE NETWORK CONTACT



Those who identified that they had a specific Trade Network contact provided ratings across various aspects of the support, shown in **Figure 4.8**. Overall, the advisors/named contacts received positive ratings from respondents – considered as 'good' or 'very good'.

In particular, the ease of communication and their contact's expertise and willingness to help were identified as important. Where lower ratings were provided, this was typically because they felt they had lacked regular contact with the Trade Network, or that initial offers of support had not been followed up.

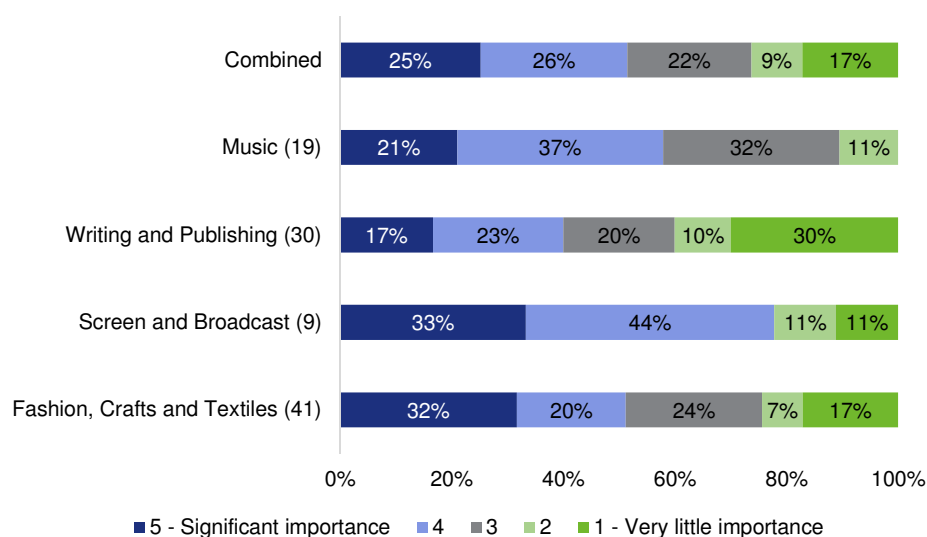
FIGURE 4.7: RATING OF TRADE NETWORK CONTACT (% good/very good)



IMPACTS AND BENEFITS OF THE SUPPORT

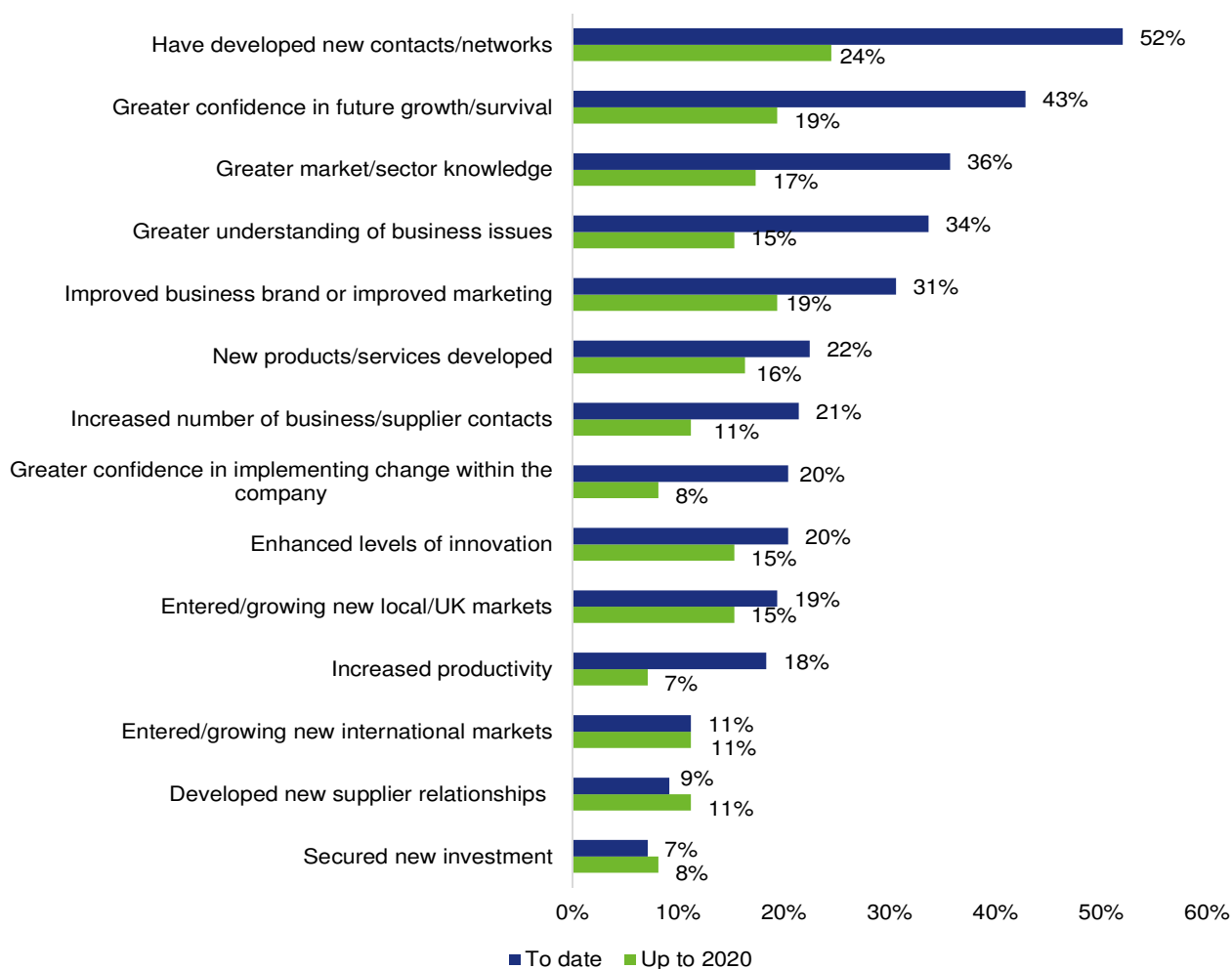
Overall, just over half of respondents (51%) rated the support from the Trade Networks as significantly important/important in contributing to the success or sustainability of their business. However, this varied across each Trade Network, from 40% for Writing and Publishing to 77% for Screen and Broadcast.

FIGURE 4.8: IMPORTANCE OF SUPPORT TO SUCCESS OR SUSTAINABILITY OF BUSINESS



A key driver for the Trade Networks is to bring businesses together from across the Highlands and Islands - just over half of respondents (52%) reported that they had developed new contacts/networks as a result of their engagement with the Trade Networks, with 43% reporting an increased confidence in their future growth and survival.

FIGURE 4.9: BENEFITS FROM ENGAGING WITH THE TRADE NETWORKS



N=98

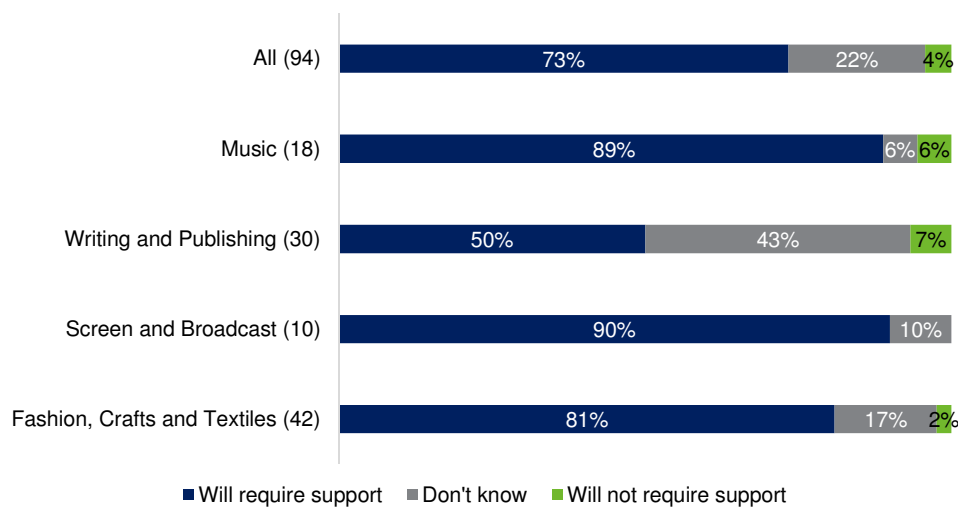
A small number of respondents reported that they have secured or expect to secure new commissions as a result of their engagement with the Trade Networks. The size of these commissions ranged in scale. A musician reported that they had secured a commission to produce songs for a music library, while a writer gained a publishing deal. Three fashion, crafts and textile sector businesses reported that their products were stocked in new retailers/galleries as a result of Trade Network engagement, with resulting sales.

Some respondents also specified unforeseen impacts and benefits that arose from the support, in addition to the personal and business benefits outlined above and in the Economic Impact Assessment (**Section 5**). This included feeling happier in their work and making contact with peers in the sector. One respondent explained how Trade Network support had helped them develop being in a rural area “as their USP”, with others now keen to come and collaborate with them. They also said that through the Trade Network, they made contact with a young person who undertook a work placement, from which they were then able to secure an apprenticeship at a leading film studio.

FUTURE SUPPORT REQUIREMENTS

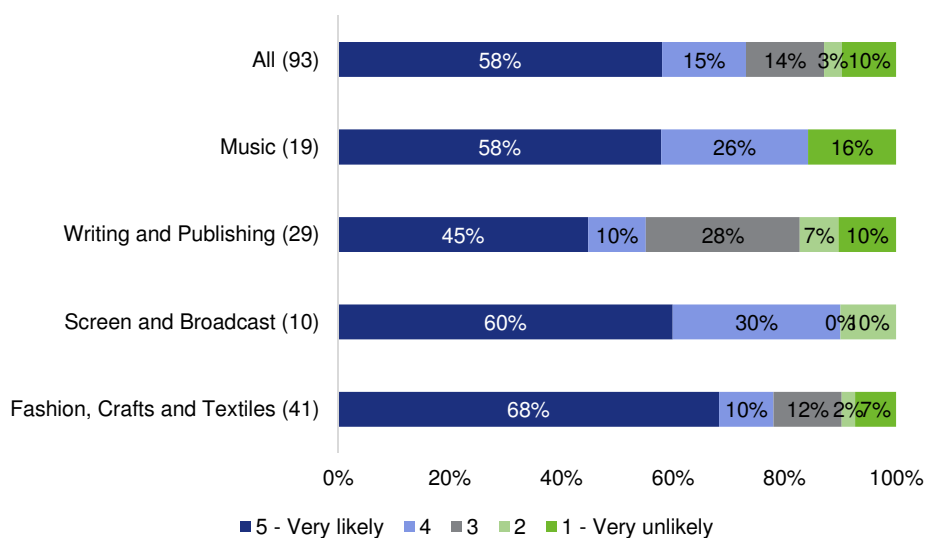
Overall, just under three quarters of respondents (73%) reported that they are likely to require access to business support in the future, while 22% were unsure and just 4% said they would not. However, this was subject to variation across the four Trade Networks. Half (50%) of those receiving support from the Writing and Publishing Trade Network thought they would require future support, compared to 89% in Music and 90% in Screen and Broadcast.

FIGURE 4.10: REQUIREMENT FOR ACCESSING FUTURE SUPPORT – BY TRADE NETWORK



Similarly, the proportion of respondents reporting they would be likely to approach each Trade Network for future support varied for each. The percentage of those reporting they would be likely or very likely to varied from 55% for Writing and Publishing to 90% for Screen and Broadcast (note: this reflects the 'need' for support and not the satisfaction of the support received).

FIGURE 4.11: LIKELIHOOD OF APPROACHING TRADE NETWORKS FOR FUTURE SUPPORT



Respondents provided details of the top three areas in which they will require future support, with the results from each Trade Network summarised in **Table 4.5**.

TABLE 4.5: AREAS OF FUTURE SUPPORT

<p>Music</p> <ol style="list-style-type: none"> 1. Networking and promotion opportunities 2. Financial assistance 3. Festivals and touring opportunities/contacts 	<p>Writing and Publishing</p> <ol style="list-style-type: none"> 1. Mentoring and editorial/technical advice 2. Marketing and promotion advice/support 3. Access to industry contacts/networking
<p>Screen and Broadcast</p> <ol style="list-style-type: none"> 1. Networking, particularly with potential clients 2. Financial assistance 3. Information sharing and mentoring 	<p>Crafts, Fashion and Textiles</p> <ol style="list-style-type: none"> 1. Business growth 2. Exporting and international sales 3. Marketing

STRENGTHS AND WEAKNESSES

The main strengths and areas for improvement of each of the Trade Networks was provided by respondents and is summarised below.

Music

- **Strengths**
 - friendly and approachable staff
 - opportunities for exposure and access to industry figures
 - the regional focus and being able to feel connected to the wider music scene is important for artists in remote areas
 - access to expert knowledge and advice
 - the main XpoNorth event brings the music sector together from across the region
- **Areas for improvement**
 - staff are overstretched
 - the costs involved and public transport limitations can make travelling to events difficult
 - faster decision making/response times – musicians often have to respond to opportunities that arise very quickly

Writing and Publishing

- **Strengths**
 - good understanding of small businesses and a flexible/informal approach
 - valuable networking and contact with other writers/creators
 - helpful signposting to other support providers and agents
- **Areas for improvement**
 - improved communications, including digital
 - helping to make writers feel more part of a creative network – relationship building
 - cost of attending events

Screen and Broadcast

- **Strengths**
 - ability to make industry contacts and connections
 - increasing the profile of the screen sector in the Highlands and Islands
 - tailored support – small, targeted interventions can make a large impact
- **Areas for improvement**

- taking a more active role in e.g. supporting pitching and commissioning bids
- lack of specific support for the performing arts within the Trade Networks

Crafts, Fashion and Textiles

- **Strengths**
 - good understanding of the sector and the nature of rural businesses
 - connecting makers from across the region
 - central hub for information and knowledge
 - approachable staff
- **Areas for improvement**
 - organise more events/more local events (although there is an understanding of the difficulties with this)
 - support with travel costs to attend events
 - small team that is overstretched/should receive more funding

OTHER COMMENTS

Respondents were invited to leave any final comments they wanted to make as part of the evaluation. Of those who chose to, a common theme was that they would like the support available through the Trade Networks to continue as they felt it was a valuable service tailored to their sector.

SUMMARY

Overall, the beneficiary feedback is positive. The support is highly rated, and there was strong praise for network staff and their industry expertise. The feedback also indicates a range of benefits arising from the support, many of which relate to improved knowledge and contacts as well as the development of new products and services. The extent of the economic impacts are reported in the economic impact assessment in the following section.

There is also a degree of consistency in relation to companies' expressed needs for future support, reflecting again the value placed on the networking opportunities and access to industry contacts and markets.

It is difficult to discern any clear patterns of difference between the four networks, with the possible exception of Writing and Publishing. Here the proportions reporting different kinds of support are lower than the other three networks, and there seems also to be less in the way of demand of future support. It is also notable that less than half of the respondents for this network had an identified contact within the Trade Network. It is not clear what to make of this, as some of the responses suggest that this cohort had received less intensive levels of support than those for the other networks. Therefore, the slightly different pattern for this network may reflect the characteristics of those that responded to the survey as much as the nature of the support provided by that Network.

5. ECONOMIC IMPACT ASSESSMENT

This Chapter presents a summary assessment of the economic impacts generated through the Trade networks to date, and anticipated over the next three years. Further details are presented in **Appendix A**.

Key messages are as follows:

Businesses receiving more than seven hours of support

- Economic impacts to date:
 - 70 - 110 net additional Jobs
 - £1.5m - £2.5m net additional GVA
 - £0.7m - £1.2m net additional Wages
- Economic impacts anticipated in future:
 - 80 - 140 net additional Jobs.
 - £1.9m - £3.1m net additional GVA
 - £1m - £1.6m net additional Wages.
- Value for Money:
 - £8,000 - £13,000 per net job to date
 - £7,000 - £11,000 per net future job
 - £4.90 - £8.20 in GVA to date per £1 investment
 - £5.90 - £9.80 in GVA in future per £1 investment

Businesses receiving less than seven hours of support

- Economic impacts to date:
 - 90 - 150 net additional Jobs
 - £2m - £3.3m net additional GVA
 - £1m - £1.7m net additional Wages
- Economic impacts anticipated in future:
 - 90 - 150 net additional Jobs.
 - £2.2m - £3.6m net additional GVA
 - £1.1m - £1.9m net additional Wages
- Value for Money:
 - £6,000 - £14,000 per net job to date
 - £6,000 - £11,000 per net future job
 - £6.40 - £10.70 in GVA to date per £1 investment
 - £6.80 - £11.30 in GVA in future per £1 investment

INTRODUCTION

This EIA is based on the feedback provided by 98 businesses who participated in the telephone and online survey, 68 - 11% response rate for those that had received in excess of seven hours of support, and 30 - 2% response rate for those that had received less than seven hours of support. The survey sought businesses' views on the economic impact of the support (both new and safeguarded effects) and broken down by impacts achieved to date and expected in the future (by 2020).

NOTE ON EIA FINDINGS

Due to the differences in intensity of support, the economic impacts of those who received more, and those who received less than seven hours of support are presented separately to avoid skewing the results (either positively or negatively when the results are presented for the entire supported population).

It should be noted that these results should be treated with caution, particularly with regards to those receiving less than seven hours of support for the following reasons:

1. The sample size is small compared to the total population of supported businesses, particularly with regards to those who have received less than seven hours of support (sample of 30 from a population of 1,799). Therefore the potential margin of statistical error/Confidence Interval (when representing the entire supported population) is large.

	Number surveyed	Total number supported	% response rate
Businesses receiving less than seven hours of support	68	648	10.5%
Businesses receiving more than seven hours of support	30	1,799	1.7%
Total	98	2,447	4%

While this is a relatively low response rate it is not unusual for an impact evaluation for a programme of this nature. The likely drivers for his low response rate include:

- individuals/businesses that received less intensive support were less likely to provide feedback. The Trade Networks have engaged with nearly 2,500 individuals/businesses, the majority of whom have received less than seven hours of support – these assists comprise 74% of the total supported individuals/businesses;
- “successful” interventions – the survey data shows that of the businesses interviewed only c 50% were able to identify a quantifiable employment impact, either to date or in the future. If we assume our sample is broadly representative of the wider supported population that means that around 1,200 businesses didn't generate any additional quantifiable benefits/impacts. Experience from previous evaluations identifies that individuals/businesses who didn't experience any quantitative benefits/impact were less likely to provide feedback during the evaluation; and
- “time-lag” - a notable amount of time has elapsed for those businesses that were supported at the early stages of the programme (2014) – this has also likely affected the response rate.

In order to ensure a robust EIA that meets with relevant impact appraisal guidance we have included a sensitivity analysis that considers the upper and lower limits of the Confidence Interval (based on the proportion of supported companies that responded to the survey) and optimism bias of 20% and 40%.

2. Many of the responses were provided online, including **all** of those who received less than seven hours of support. Reported impacts from online respondents are generally less reliable than telephone interviews, as the interviewer is better able to tease out the impacts.
3. The cost breakdown between businesses receiving more, or less than seven hours of support is not known. We have therefore taken a best estimate based upon the likely levels of support (informed by discussions with HIE), with business receiving more intensive support assuming a larger proportion of the costs.

GROSS IMPACTS

The gross project impacts generated through the Trade Networks are based on direct feedback from beneficiaries regarding the impacts created to date and estimated future effects up to 2020. Measuring the future forecast impacts ensures that we capture the impact/benefits generated by businesses supported at the later stages of the programme period, and also in cases where there is a 'time lag' between when business first accessed support and when quantifiable impacts were generated.

They are expressed in terms of full-time equivalent (FTE) jobs, GVA, and wages. Employment is based on direct feedback from beneficiaries, while GVA and wages have been calculated using secondary data sector benchmark coefficients. The gross impacts reported by the beneficiaries as attributable to the Trade Networks is reported in **Table 5.1**.

TABLE 5.1: GROSS IMPACTS OF SURVEYED BENEFICIARIES

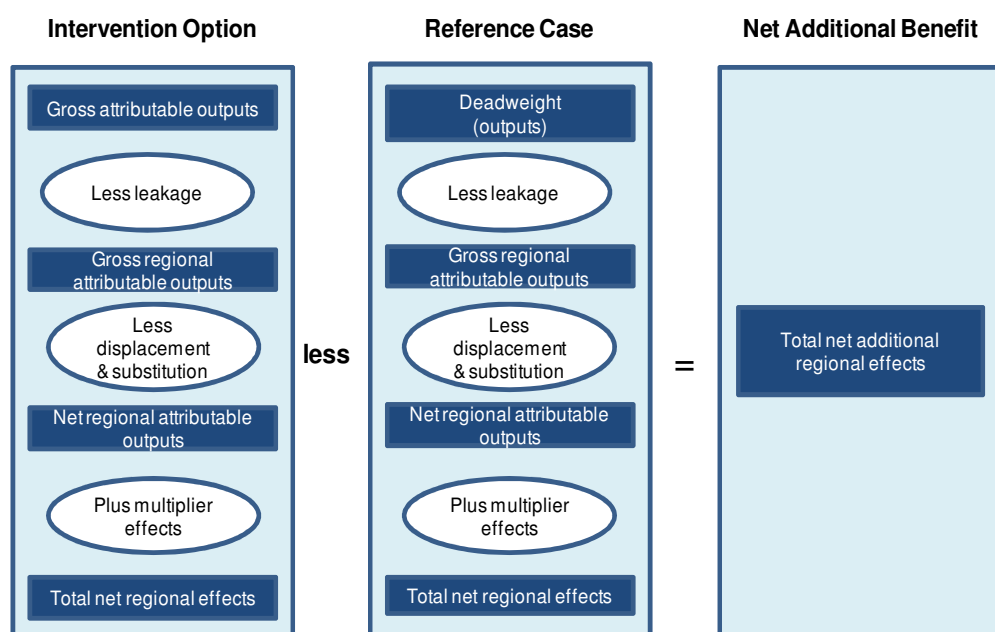
	Jobs	GVA	Wages
Received more than Seven Hours Support			
To Date	30	£0.7m	£0.4m
In Future	30	£0.8m	£0.4m
Total	70	£1.6m	£0.8m
Received less than Seven Hours Support			
To Date	10	£0.3m	£0.1m
In Future	10	£0.2m	£0.1m
Total	20	£0.5m	£0.2m

Note: Jobs rounded to nearest 10. Financial impacts rounded to nearest £0.1m. Totals may not sum due to rounding

NET IMPACTS

The net impact of the Trade Networks is the difference between what would have happened anyway in the absence of the support (i.e. the reference case) and the benefits generated by the Trade Networks (i.e. the intervention case), adjusted for displacement, leakage, deadweight, and multiplier effects, outlined in **Figure 5.1**.

FIGURE 5.1: ASSESSING ADDITIONALITY



Deadweight refers to the benefits and costs of an intervention that would still have occurred if public sector support was not provided.

The overall level of deadweight was low at 16% for those receiving more than seven hours of support, indicating a high level of additionality to the intervention. Deadweight was higher at 50% for those receiving less than seven hours of support, indicating lower levels of additionality for those who had received less intensive support.

Displacement is the negative effects on non-beneficiaries which arise because an intervention has generated positive outcomes for beneficiaries. This occurs due to increased competition in the markets in which beneficiaries participate.

The overall level of displacement was relatively low at an average of less than 10%. These low levels of displacement are due to the low levels of local competitors, and relatively high levels of sales outside of the Highlands and Islands and to visitors.

Leakage is the proportion of gross impacts that accrue outside the target region (i.e. the Highlands and Islands).

The overall level of leakage was very low, as the majority of businesses were located and operating solely within the Highlands and Islands, making it likely that the majority of impacts are retained in the area.

Multiplier effects refer to the impacts associated with additional purchases of inputs from suppliers based in the target area (supplier linkages) and additional consumption expenditure on goods and services of those employed via direct and supplier linkage effects (income multipliers). The multipliers applied were derived from the Scottish Government Input-Output tables and based on a sub-sector ‘best fit’ for Creative Industries (**Appendix B** contains further detail). The multiplier effects at the Highlands and Islands level are assumed to be half that of the Scottish level.

Table 5.2 reports on the net impacts. Overall, the level of additionality (i.e. when net impacts are compared with gross impacts for those responding to the survey) is assessed at

- 93% for businesses receiving more than seven hours support; and
- 49% for businesses receiving less than hours support.

TABLE 5.2: NET IMPACT OF SURVEYED BENEFICIARIES

	Jobs	GVA	Wages
Received more than Seven Hours Support			
To Date	30	£0.7m	£0.4m
In Future	30	£0.8m	£0.4m
Total	60	£1.5m	£0.7m
Received less than Seven Hours Support			
To Date	<10	£0.1m	£0.1m
In Future	<10	£0.1m	£0.1m
Total	10	£0.2m	£0.1m

Note: Jobs rounded to nearest 10. Financial impacts rounded to nearest £0.1m. Totals may not sum due to rounding

GROSSED UP IMPACTS

The impact data is grossed up to the entries supported population based on the inverse of the proportion responding to the survey (e.g. a response rate of 5% generates a grossing up factor of $100\%/5\% = 20$). Statistical outliers (values that lie outside the range defined as plus or minus twice the standard deviation for that variable) were removed from the sample and added back in after grossing up.

Therefore, with a total of 68 responses and a total number of 648 companies receiving more than 7 hours of support, these impacts are grossed up by a factor of **9.53**. For those which had received less than seven hours of support, there were 30 responses and a total number of companies of 1,799, giving a grossing up factor of **59.97**.

The combined grossed up economic impacts are reported in **Table 5.3**³.

TABLE 5.3: GROSSED UP ECONOMIC IMPACTS

		Jobs	GVA	Wages
Received more than Seven Hours Support				
Gross Impacts	To Date	130	£3.1m	£1.5m
	In Future	160	£3.7m	£1.9m
	Total	300	£6.8m	£3.4m
Net Impacts	To Date	110	£2.5m	£1.2m
	In Future	140	£3.1m	£1.6m
	Total	250	£5.7m	£2.8m
Received less than Seven Hours Support				
Gross Impacts	To Date	300	£7.4m	£3.9m
	In Future	240	£6.3m	£3.4m
	Total	550	£13.7m	£7.3m
Net Impacts	To Date	150	£3.3m	£1.7m
	In Future	150	£3.6m	£1.9m
	Total	300	£6.9m	£3.6m
Total Impact of Trade Networks				
Gross Impacts	To Date	440	£10.5m	£5.4m
	In Future	410	£10m	£5.2m
	Total	840	£20.5m	£10.6m
Net Impacts	To Date	260	£5.8m	£2.9m
	In Future	280	£6.7m	£3.5m
	Total	550	£12.6m	£6.4m

Note: Jobs rounded to nearest 10. Financial impacts rounded to nearest £0.1m

VALUE FOR MONEY

The value for money assessment sets the net additional employment and GVA impacts against the public sector expenditure. However, this is not straightforward in the case of the Trade Networks as it was not possible to split costs between those that had received more than seven hours support, and those that had received less.

We therefore had to estimate the split, however, this proved difficult as although we know that the most intensively supported businesses had received more than seven hours of support, it was unclear how many received close to seven hours support, how many were receiving far in excess of that, and what the upper limit to support was, if any.

We have therefore assumed a 60/40 split based upon the likely levels of intensity of support, however, this is a best estimate and subject to high levels of uncertainty as outlined above, and should be treated with caution.

Total costs over the period were £1.73m, adjusted to £1.79m to account for inflation, with costs summarised in **Table 5.4**.

³ Please note that outliers were removed from the sample when grossing up results to avoid skewing the impacts.

TABLE 5.4: COST SUMMARY

	More than seven hours	Less than seven hours
Total Cost	£1.1m	£0.7m
Number of Businesses	648	1,799
Cost of intervention per Business	£1,658	£398

The cost per job estimates are outlined in **Table 5.5**.

TABLE 5.5: COST PER JOB

	Per Gross Job	Per Net Job
Received more than Seven Hours Support		
To Date	£7,000	£8,000
In Future	£6,000	£7,000
Received less than Seven Hours Support		
To Date	£3,000	£6,000
In Future	£4,000	£6,000
Programme Total		
To Date	£4,000	£7,000
In Future	£4,000	£6,000

The cost per net job is estimated at around **£7,000 to date and £6,000 in future for the Trade Networks**. This is slightly higher for those receiving more than seven hours of support, and lower for those receiving less than seven hours of support.

The Return on Investment (RoI) is based on the GVA impact of the Trade Networks, applying a three-year persistence effect for that impacts set against total expenditure, **Table 5.6**.

TABLE 5.6: RETURN ON INVESTMENT

Time Period	Received more than Seven Hours Support	Received less than Seven Hours Support	Programme Total
To Date	£8.20:1	£10.70:1	£9.40:1
In Future	£9.80:1	£11.30:1	£10.50:1

Therefore, the Trade Networks deliver an **RoI of £9.40:1 to date and £10.50:1 in the future**, with those receiving more than seven hours of support having a slightly lower RoI than those with less than seven hours support.

IMPACT SENSITIVITY

As highlighted above, the impact assessment data is based on direct feedback from a sample of beneficiaries. It is therefore important that we build in an element of sensitivity to our economic model to take account for variances within the wider supported population.

The statistical reliability or Confidence Interval can be calculated based on the sample data (the number of responses to a question) considered against the wider population. The confidence interval (CI), also called margin of error, is the plus-or-minus figure expressed as a percentage representing how often the true percentage of the population who would pick an answer lies within the confidence interval.

The grossed up results are based on achieving a 95% confidence level. This means that we can be 95% confident that if we surveyed all the businesses that have been supported, they would have provided a response within a +/-% confidence interval of those that participated in the survey. Our survey sample has generated a CI of +/- 11.25% for those receiving more than seven hours of support and +/-17.75% for those receiving less than seven hours of support.

Therefore, due to the smaller sample size and larger population, the economic impacts for those receiving less than seven hours of support are subject to higher levels of uncertainty than those receiving more than seven hours support.

Table 5.7 presents the net, grossed up results including the sensitivity analysis.

TABLE 5.7: SENSITIVITY ANALYSIS: NET IMPACTS

	Year	Low Point	Mid-Point	High Point
Received more than Seven Hours Support				
Jobs	To Date	100	110	120
	In Future	120	130	150
GVA	To Date	£2.2m	£2.5m	£2.8m
	In Future	£2.8m	£3.1m	£3.5m
Wages	To Date	£1.1m	£1.2m	£1.4m
	In Future	£1.4m	£1.6m	£1.8m
Received less than Seven Hours Support				
Jobs	To Date	130	150	180
	In Future	120	150	170
GVA	To Date	£2.7m	£3.3m	£3.9m
	In Future	£3.0m	£3.6m	£4.2m
Wages	To Date	£1.4m	£1.7m	£1.9m
	In Future	£1.6m	£1.9m	£2.3m

Note: job figures rounded to nearest 10, financial figures rounded to nearest £0.1m

OPTIMISM BIAS

The majority of reported impacts, particularly for those receiving less than seven hours support were obtained through online submissions and have small sample sizes. These reported impacts have not been interrogated by a trained telephone interviewer, and therefore could affect the accuracy of the impact assessment.

As such, it is essential to examine the possible influence of optimism bias, where this refers to an observed tendency for companies to over-estimate a project's impacts.

This can be for a number of reasons, including: erroneous assumptions about the extent of demand for the project amongst potential beneficiaries; overly optimistic assumptions regarding costs and delivery timescales; and underestimating time to impact.

In line with SE guidance⁴, future net impacts have been discounted by 20% and 40%. These are presented in **Table 5.8**.

⁴ <http://goo.gl/3O9e1W>

TABLE 5.8: NET IMPACT OPTIMISM BIAS

	Base	20% Optimism Bias	40% Optimism Bias
Received more than Seven Hours Support			
Jobs to date	110	90	70
Jobs in future	140	110	80
GVA to date	£2.5m	£2.m	£1.5m
GVA in future	£3.1m	£2.5m	£1.9m
Wages to date	£1.2m	£1m	£0.7m
Wages in future	£1.6m	£1.3m	£1m
Cost per job to date	£8,000	£10,000	£13,000
Cost per job in future	£7,000	£8,000	£11,000
Rol to date	£8.20	£6.50	£4.90
Rol in future	£9.80	£7.80	£5.90
Received less than Seven Hours Support			
Jobs to date	150	120	90
Jobs in future	300	240	180
GVA to date	£3.6m	£2.9m	£2.2m
GVA in future	£6.9m	£5.5m	£4.1m
Wages to date	£1.9m	£1.5m	£1.1m
Wages in future	£3.6m	£2.9m	£2.1m
Cost per job to date	£6,000	£10,000	£14,000
Cost per job in future	£6,000	£8,000	£11,000
Rol to date	£10.70	£8.50	£6.40
Rol in future	£11.30	£9.00	£6.80

Note: Jobs rounded to nearest 10, financial impacts rounded to nearest £0.1m

CONCLUSIONS

Overall, despite some challenges with the data in relation to apportioning costs and the Confidence Interval, based on the assessment presented above the economic impacts represent a good value for money return to the public sector. The Trade Networks have delivered the following net additional impacts:

- to date:
 - jobs - 260
 - salaries - £2.9m
 - GVA - £5.8m;
- in the future (up to 2020):
 - jobs - 280
 - salaries - £3.5m
 - GVA - £6.7m; and
- Return on Investment:
 - To date - £9.40:1
 - In the future (up to 2020) - £10.50.

The previous evaluation of the Trade Network Programme period (2010 – 2013) identified that the support delivered a combined RoI of £6.2:1 to date and £9.8:1 in the future. The most recent Programme period (2014 – 2017) delivers an uplift in the net GVA returns to the public sector - £9.30:1 for impacts achieved to date and £10.40:1 for impacts forecast to occur in the future (based on the mid-point impacts and not including optimism bias).

6. CONCLUSIONS AND KEY LEARNING

The evaluation conclusions have been set against the study objectives (as identified within the introduction).

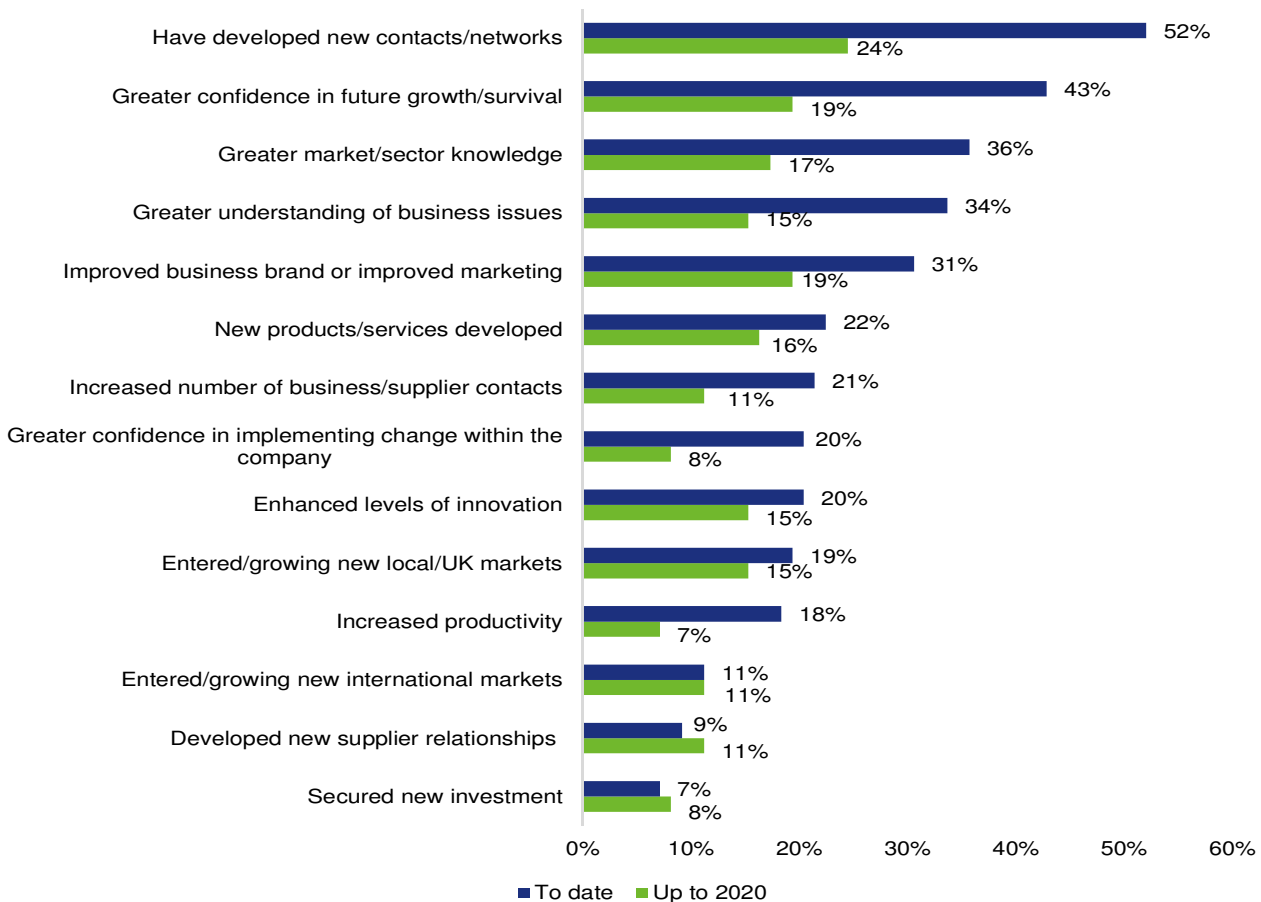
STUDY OBJECTIVE 1

Undertake an assessment of the effectiveness, efficiency and value-for-money of HIE’s investment in each of the four trade networks (screen and broadcast; music; writing and publishing; and crafts, fashion and textiles) over the 3-year period from October 2014 to October 2017.

- a. *Quantify anticipated benefits to individuals and businesses accessing support through the trade networks over this period.*

The survey of beneficiary businesses identified that the support helped to generate a wide range of impacts and benefits, both to date and forecast in the future. See **Figure 6.1** and **6.2**.

FIGURE 6.1: BENEFITS FROM ENGAGING WITH THE TRADE NETWORKS

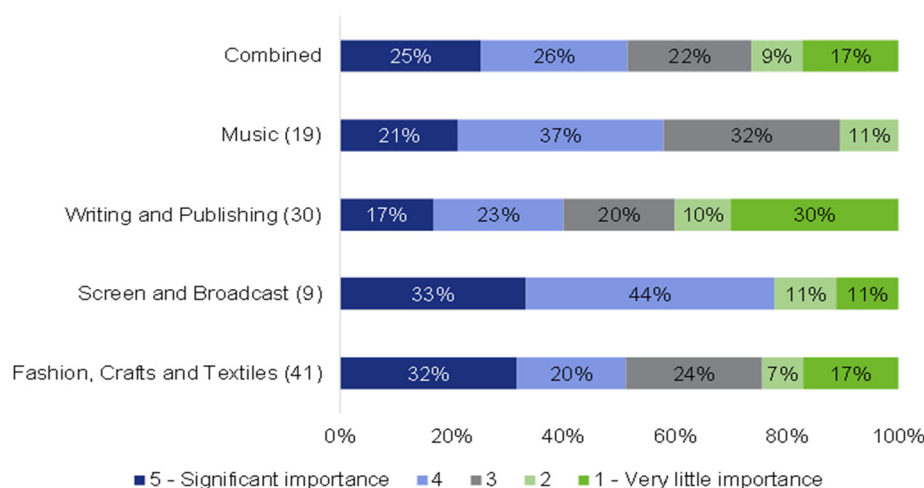


One of the key activities that the Trade Network support was developed to deliver was to create a greater sense of ‘community’ across the Creative Industries and bring businesses together from across a fairly large, disparate, and remote geography to bring businesses together, encourage collaborations, allow businesses to share experiences, etc. The feedback suggests that the Networks are beginning to be successful with this, with over half the sample of surveyed beneficiaries (52%) identifying that they have made new contacts or networks as a result of their engagement.

Given the nature of the support, many of the benefits reported are often more qualitative and less tangible in nature. For example, businesses reported feeling greater confidence in their future prospects (growth/survival) and had an enhanced understanding of their markets and industry specific issues and challenges.

The opportunity to network with peers (formally and informally) from a similar background – both in terms of sector and geography is a key strength of the Trade Networks.

FIGURE 6.2: IMPORTANCE OF SUPPORT TO SUCCESS OR SUSTAINABILITY OF BUSINESS



While there is a variance across the individual Networks, overall the feedback is positive with regards to the important role played by the Trade Networks in either the growth or sustainability of the businesses that have been supported. We would, however, note that 40% or two out of every five businesses supported through the Writing and Publishing Trade Network indicated that the support had very little impact (rated as 1 or 2 on the scale) on their success and sustainability.

b. Focus on key business growth metrics to ascertain the gross and net impact on employment, turnover and GVA impacts

The EIA measured the economic impacts of the project at both the gross and net level – measuring the additionality of the support i.e. taking account of the impacts and benefits that beneficiaries would have achieved in the absence of the Trade Networks.

Please note, as detailed in the EIA chapter, the feedback and data gathered through the beneficiary survey did not allow for a robust analysis of the effects at the individual Trade Network level and were subject to assumptions on the split of funding between those supported for more and less than seven hours.

Table 6.1 presents a summary of the key gross and net effects generated through the Networks.

TABLE 6.1: GROSSED UP ECONOMIC IMPACTS

		Jobs	GVA	Wages
Received more than Seven Hours Support				
Gross Impacts	To Date	130	£3m	£1.5m
	In Future	160	£3.6m	£1.8m
	Total	290	£6.6m	£3.3m
Net Impacts	To Date	110	£2.5m	£1.2m
	In Future	130	£3.1m	£1.6m
	Total	240	£5.5m	£2.8m
Received less than Seven Hours Support				
Gross Impacts	To Date	300	£7.4m	£3.9m
	In Future	240	£6.3m	£3.4m
	Total	550	£13.7m	£7.3m
Net Impacts	To Date	150	£3.3m	£1.7m
	In Future	150	£3.6m	£1.9m
	Total	300	£6.9m	£3.6m

c. Demonstrate the wider impact from product or process innovation and knowledge transfer and collaboration activities from engagement with the trade networks

A fifth (20%) of the companies that responded to the survey reported that the support had led to enhanced levels of innovation, and 22% reported developing new products or services. It is also clear from the beneficiary feedback that the Trade Networks have helped to develop new contacts and collaborations across the sector, and the strong uptake from the sector of the business innovation grants from HIE also suggests growing levels of innovation activity.

It is not possible to extract from the data the specific economic impacts arising from these reported benefits, but they will have contributed directly to the overall level of impacts achieved by the programme.

The Trade Networks are strongly focussed on collaboration as a mechanism for growth, but have been somewhat constrained in the extent to which they have been able to support cross-sector collaboration as a result of the contracting structure (of four separate networks). Much of the innovation in the creative sector takes place across sectoral boundaries and particularly where creativity and technology interact. In this respect, the connection between the Trade Networks and the planned Northern Innovation Hub project will be important, as discussed in the recommendation section. Similarly a move towards a single contract structure will facilitate cross-sector collaboration with a focus on innovation outcomes.

d. It is imperative that the benefits articulated can be attributed to HIE's investment and looks at return on investment and sets out the sub-sectors of greatest value to the Highlands and Islands

The Return on Investment (RoI) and Value for Money (VfM) generated are based on the economic activity indicators (gross and net jobs and net GVA) set against the project expenditure. The evaluation has considered both the returns generated to date, but also the forecast returns within the next three years (up to 2020). This approach recognises that **a)** the beneficiaries that were supported near to the end of the contract period will likely accrue impacts in the future (out with the evaluation period), and **b)** the nature of some interventions means that there will likely be a time lag between activity and impact – this is often the case for innovation led or collaborative projects.

Based on the impact assessment the Network has delivered the following:

- Return on Investment:
 - To date - £9.30:1
 - In the future (up to 2020) - £10.40:1; and

- Value for money:
 - To date
 - Cost per gross job - £3,000
 - Cost per net job - £7,000
 - In the future (up to 2020)
 - Cost per gross job - £4,000
 - Cost per net job - £6,000.

In order to provide a sense of scale, the project performance has been benchmarked with the previous evaluation (2010 – 2013) which identified that the support delivered a combined RoI of £6.2:1 to date and £9.8:1 in the future.

This represents an increased return to the public sector when benchmarked with the previous Programme (*Note: caution should be adopted when directly comparing these figures as we have benchmarked the mid-point and not taken account of optimism bias*).

In addition to the quantifiable metrics, it is also worth noting the overall levels of additionality provided by the support i.e. the level of impact and benefit that businesses felt they couldn't/wouldn't achieve in the absence of the Trade Networks.

For those supported for less than seven hours the additionality is measured as 49% - this is unsurprising given that many of these businesses have had limited engagement and is quite typical of more general business support services that deliver volume focused one-to-many support.

However, if we consider those businesses supported for more than seven hours the impact assessment shows that the overall level of additionality is estimated at 93%. This is a high level of additionality and helps to demonstrate the added value of the support to beneficiaries. If we look at feedback across the four Networks, when asked about the 'benefits' and 'areas of strength' there is a strong common theme emerging around supporting and developing new connections and networks – with industry specialist, with collaborators, and with the sector more generally. This is a big part of the added value provided by the Trade Networks and a key driver the high levels of additionality reported.

STUDY OBJECTIVE 2

Provide a short assessment of the impacts and benefits generated from those individuals and businesses who have accessed and made use of the wider package of additional support from HIE, including those who have gone into account management as a result of network engagement.

Account Management and Innovation Ladder

There are currently 70 Creative Industries businesses within the HIE Account Management system (1% of total Account Managed clients). From the research, it is not clear that there are strong synergies with Account Management and the Trade Networks either in supporting businesses into the Account Management system or the links between the two services. Feedback suggests that there are challenges with regards to using the Trade Networks as a mechanism to leverage creative businesses in the Account Management system – particularly around the size, scale, and business models. This is considered further in **Section 7**.

Innovation Support

As noted above, the Trade Networks have helped to direct businesses towards other sources of innovation support, particularly via the HIE Innovation your Business Grant scheme and Interface.

Innovate Your Business

HIE's Innovate Your Business Grant scheme offers funding of up to £15,000 to help key sector businesses commercialise a product, process or service. The most recent data from the grant scheme is presented in **Table 6.2**.

TABLE 6.2: INNOVATE YOUR BUSINESS GRANTS – CREATIVE SECTOR

	IYB Grants	IYB Support (no. enquiries)
2015/16	1 (20% of total)	26
2016/17	7 (31% of total)	39
2017/18	4 (funding TBC)	17

While there is no monitoring data for referrals, anecdotal evidence shows that there have been strong links and cross referrals between the Trade Networks and innovation support offered through HIE, and the data identifies that the Creative Industries were the most represented sector in terms of accessing IYB support and funding.

Interface

Interface supports innovation across Scotland (and the Highlands and Islands) by linking up businesses with academic partners to provide a range of support services, including; support to develop new products and processes; access to facilities equipment and technologies, and facilitating access to funding through, for example, the Innovation Voucher Programme (note support is only available to those businesses that are also Account Managed).

Feedback identified that there are strong links and synergies between Interface and the Trade Networks and since establishing a presence in the region (Inverness Campus) and attendance at both the Xpo North festival and on the road events, there has been an uplift in enquires from the Creative Industries, particularly within the Crafts, Fashions and Textiles Network.

Nonetheless, there is still further work and promotion required as often creative businesses don't see the opportunities to link in with the academic base and see their business model as sufficiently different that academic partners would not be motivated to collaborate.

In terms of developing the future scope of any Creative Industries targeted support, the opportunities for both Interface and supporting collaboration with the academic base more generally includes:

- commercialisation of products and processes;
- digital – likely to be a significant driver of new activity; and
- group and sector projects – encouraging and supporting businesses to 'think bigger' and look at collaborative sector wide challenges and opportunities' (the Trade Networks should be well placed to facilitate this).

STUDY OBJECTIVE 3

Develop a series of recommendations to inform the development of the trade networks beyond the current contract arrangements.

The strategic and operational recommendations that will support the future development of support provision are detailed below in **Section 7**.

STUDY OBJECTIVE 4

Outline the key factors and support needs for growing the Creative Industries sector in terms of infrastructure investment, policy development and cultural offering to inform future engagement with the sector across the Highlands and Islands. This should include a mix of local, regional and international activities where relevant

Identified Support Needs

The survey with beneficiary businesses asked them to identify the top three areas where they would require support in the future to sustain or grow their business. Overall, the demand and need from businesses to some extent seems to be "more of the same" with networking and mentoring common across all four Networks, and financial assistance and support with business/product marketing also emerging.

TABLE 6.3: AREAS OF FUTURE SUPPORT

<p>Music</p> <ol style="list-style-type: none"> 1. Networking and promotion opportunities 2. Financial assistance 3. Festivals and touring opportunities/contacts 	<p>Writing and Publishing</p> <ol style="list-style-type: none"> 1. Mentoring and editorial/technical advice 2. Marketing and promotion advice/support 3. Access to industry contacts/networking
<p>Screen and Broadcast</p> <ol style="list-style-type: none"> 1. Networking, particularly with potential clients 2. Financial assistance 3. Information sharing and mentoring 	<p>Fashion, Crafts and Textiles</p> <ol style="list-style-type: none"> 1. Business growth 2. Exporting and international sales 3. Marketing

Infrastructure

At a sector and regional level, historically HIE has played an important role in delivering big capital infrastructure projects such as the Creative Industry Media Centre in Stornoway and Mareel music venue and cinema in Lerwick. Looking forward there is still a strong rationale for the public sector to support the delivery of physical infrastructure across the region - a recent report undertaken by EKOS Ltd on behalf of the HIE Property Team identified that there are still significant challenges and constraints (market failure) within the commercial property market across the Highlands and Islands with regards to the development of speculative property. This has had an impact on the growth of the key sectors and their supply chains.

While this challenge is not specific to the Creative Industries sector, the constraints are perhaps intensified due to the nature of the sector i.e. smaller scale, sole traders, freelancers, etc. This means that the businesses will likely have lower covenants and the requirements for property/premises will be characterised by a need for flexible leaseholds, easy-in, easy-out space, low rental costs, etc.

At a strategic level, however, it was highlighted that there are opportunities for growth through the development of the proposed Northern Innovation Hub - a partnership between HIE and Highland Council with funding support through the Inverness City Deal and ERDF to promote innovation and economic growth across four sectors – Life Sciences, Tourism, Food and Drink and Creative Industries.

While not simply one physical entity, the project will provide both a virtual and physical space a help to build the wider supporting infrastructure developing content, supply chains, etc. The support for Creative Industries will be delivered through the XpoNorth digital project will help creative industries test new products, access funding and increase their profile through promoting innovation and digital solutions around the relationship between producer and consumer.

The other infrastructure issue of profound importance to the Creative Industries is broadband connectivity. Community Broadband Scotland has been very successful at significantly enhancing access to super-fast Broadband, however, the roll-out is slower across the more remote communities (where there is often a more costly engineering solution required) with the initial focus being on the easier to reach areas. By August 2016, six local authorities across Scotland had not achieved the contracted target of 75% of premises with access to superfast broadband – five of these are located in the Highlands and Islands - only Moray has achieved the target⁵. Improvements in the availability and speed of broadband connections will be a critical driver of future Creative Industries growth in the region.

⁵ http://www.audit-scotland.gov.uk/uploads/docs/report/2016/nr_160818_broadband_update.pdf

Policy Development

HIE has in many ways shown leadership in its approach to supporting the Creative Industries, not least in maintaining a sector specific service and recognising the importance of formal and informal networks in supporting growth. It has also taken a broad view of economic actors within the sector, acknowledging both that economic impact can arise from large numbers of small companies just as it does from small numbers of larger enterprises.

In some respects this runs contrary to the predominant policy direction for economic development in Scotland, which continues to prioritise businesses of scale. This is not an argument for change at the macro policy level, but rather an indication that the Creative Industries do have a different structure and growth model – one that has long been recognised by HIE. In this respect HIE has evolved a policy that suits the sector, and this should be maintained.

Cultural Offering

The connections between the more commercial areas of the Creative Industries and the wider cultural sector are often poorly understood. The inclusion of the arts and cultural sector within the Creative Industries definition has created some confusion in this respect, as has the use of terms such as creative and cultural industries. The evaluation found evidence of some of this confusion amongst external stakeholders with some noting that HIE has been able to articulate a different model of support for the sector due to its 'wider social remit'. This is a misunderstanding of the focus of the Trade Networks on economic growth objectives and commercial creative enterprises.

However, in part of the region, particularly more remote and island communities, the cultural sector plays a key role in community economic development and as such is a cornerstone for the creative industries. Cultural activity is not the main focus of the Trade Networks and should not become so, but rather there is a role for the Trade Networks and for HIE's Strengthening Communities teams to work together to support connections as required.

The survey evidence did not identify any specific cultural requirements for the sector, but the following thoughts are perhaps worth consideration:

- there was some feedback to the effect that it can be difficult to build more local networks and connections across the dispersed geography of the region – the cultural infrastructure may offer some useful opportunities in this respect (there are, for example, key arts venue and arts centres across the Highlands and Islands that could be used as local facilitators);
- the international links and profile of some of the Highlands and Islands cultural organisations may be useful to the Creative Industries Trade Networks;
- cultural activities and events (in particular festivals) can be an important source of business for the Creative Industries and often operate with mixed economy models of public funding and commercial income. Maintaining a vibrant cultural offer in the Highlands and Islands is therefore important to the future success of the Creative Industries, as well as to other sectors such as tourism and food and drink.

7. RECOMMENDATIONS

A key objective of the evaluation study is to provide intelligence to HIE and other partners/stakeholders to inform the development of future support provision targeted at the Creative Industries.

The section has been broken down to consider the high level strategic recommendations that will influence the future direction of intervention, and operational recommendations which will support the day-to-day delivery and management of support services.

SUMMARY OF RECOMMENDATIONS

The strategic recommendations are that HIE should continue to provide dedicated support to the Creative Industries as a priority sector for the region, and that this should continue to be driven by economic growth objectives. We have also made suggestions as to the priorities for future support, shifts in emphases towards cross sector collaboration and stronger internal and external connections.

At an operational level, the recommendations focus on improvements in programme management and reporting, a proposed contracting structure, support criteria and targeting and promotion and branding.

The section that follows explains these recommendations in more detail and outlines their underpinning rationale.

STRATEGIC RECOMMENDATIONS

The **strategic recommendations** have been informed through the consultations with partners and stakeholders and a review of the emerging policy environment.

Continued Intervention within the Creative Industries

As with any public sector supported interventions, there are a number of fundamental principles upon which the support should be built. The evaluation has evidenced and considered these further below.

Strategic Rationale

There remains a **strong rationale** for HIE to continue to provide support to the Creative Industries. The sector remains a stated priority in the Government Economic Strategy, and is important for the Highlands and Islands both as a source of direct economic opportunity (creating jobs, generating value added), internationalisation (supporting exporting), product and process innovation, and also as a driver for regional development through supporting the more fragile and remote rural communities – delivering against these objectives is a key priority for HIE.

It is important that this 'dual function' of the Creative Industries across the Highlands and Islands is clearly understood. While the Trade Networks are rightly focussed on economic growth objectives, the Creative Industries is a broad church ranging from the more commercial activities typically supported by the Networks through to cultural organisations and activities that help sustain rural communities. Both are worthy of HIE support, but the rationale for doing so, and indeed the nature of the support required, is not the same. This distinction is not always well understood across the HIE Network, and continued support for the economic development of the Creative Industries as a means of supporting growth objectives should be clearly differentiated from this wider cultural agenda, while acknowledging their mutually supportive roles.

There is also the role that the Creative Industries (in their widest sense) play in other key sectors such as sustainable tourism. Culture generally, and music and heritage in particular, are key drivers of tourism, and the Creative Industries also have a critical role in the promotion of Highland and Gaelic culture through music, books, broadcasting and film. This has spin off benefits for sectors such as tourism and food and drink as well as for the region as a whole and should not be forgotten.

However, the primary focus of the direct support into the sector should remain driven by **economic development** objectives. The Trade Network model has developed in recognition of the non-traditional growth trajectory for companies in the creative sector, and reflects the often fluid networks of collaboration that characterise creative industries growth.

Activity is highly project based, with companies scaling up quickly to meet demand and contracting again when projects complete, maintaining a low permanent staff overhead. As such, they do not easily fit into established models of business growth while still contributing to GVA and freelance employment growth.

The sector is also well known for its preference for industry specific support and advice, and the Network model has also developed in recognition of this. The consistent message through the consultation work is that having 'sector specialists' who have experience of the relevant industry supply chains and markets, and knowledge of the challenges and opportunities is of value to beneficiaries and vital to the successful delivery of the project. In particular, this demand and relationship led approach to working with the Creative Industries was identified as having a 'better fit' over more 'product led' approaches.

There is certainly benefit in the industry knowledge and expertise offered by the Trade Networks particularly in areas relating to informing product and service development (in line with market demand) and in facilitating connections to markets and into wider supply chains. This kind of support is not easily delivered through mainstream support programmes. However, future activity should ensure that this is fully complementary to the more general programmes of business support offered through HIE, not least as it introduces a new segmentation model and approach to company support. This is discussed in more detail below.

Strategic Recommendation 1: HIE should continue to provide direct support to the Creative Industries across the region with a focus on economic growth objectives.

Addressing market failure

While progress has been made to addressing and alleviating market failure, inefficiencies within the market persist. In particular we would highlight that the networks have been a valuable centralised source of information with regards to accessing new market opportunities, and funding sources (such as HIE's Innovate your Business Programme). Nonetheless, the rapidly changing nature of the sector (for example, digitalisation and content creation) has meant that businesses are having to continually adapt and the public sector has a key role to play in ensuring 'timely' market information is readily available – this will be vital in the region remaining a competitive location for businesses' to (re)locate and grow.

Evidence of demand and identified priorities for the sector's future development

The Trade Network support has evolved since its initial development in 2010 and is now more focused on working with businesses and across thematic areas that offer the greatest commercial and economic opportunity – this typically targets the 'middle ground' i.e. those businesses that would be ineligible for support through Account Management but offer an opportunity to become 'regionally significant'. This is appropriate, and should continue to be the guiding principle.

Priorities for the sector should align with market trends and opportunities. In this respect, a number of general areas for support to consider would include:

- **New product/ service/ content development** – aligning the development process with commercial opportunity and market demand;
- **Innovation** – as above but also in relation to business models and including consumer engagement, particularly in areas like fashion and textiles, design and digital content;
- **International market development** – already an area of focus for the Trade Networks, and one that continues to be a critical source of future opportunity;
- **Digital** – digital technology is the primary driver of growth across all market segments of the creative industries. This must be a priority for future support provision, aligning with the work of XpoNorth Digital (see below).

Consultation feedback also indicated some sub-sectoral issues that are worth reflecting. There were questions about how much more HIE would be able to do with publishing in the region, and around the number of genuinely competitive screen production companies. However, changes in UK broadcasting practice (which is likely to bring increased business to Scotland) and the importance of MG Alba are such that there will be an ongoing role in screen. Crafts, fashion and textiles remains importance due to the scale of the sector in the region, and music continues to perform well.

In a more general sense, the focus on distinct sub-sectors may now be less useful. While it is important to retain some sector specific knowledge and expertise, rigid definitions are increasingly being challenged in the Creative Industries, and there is a case for moving towards a broader, cross-sector approach. This is discussed below.

Strategic Recommendation 2: Creative Industries support should prioritise support in the areas identified above as means of driving growth in the sector.

In relation to the expressed demand of the sector, the survey results suggest that priority areas for support include:

- continue to support networking and facilitating links to sector specialists, and with and outwith the sector and the region;
- access to finance; and
- marketing and product promotion – there is perhaps a stronger role for other support providers here such as Business Gateway.

It is also important that these areas are considered in light of the developments in wider business support provision at HIE. This cuts both ways insofar as the revision to the company segmentation model and programmes of available support may provide useful services that could be directed into the Trade Networks client base. Similarly, the Trade Networks could be contributing their sectoral expertise into some of the wider programme activities, as well as channelling companies into the revised account management system as it extends its reach. This will require much stronger connections between the Trade Networks and HIE across a greater range of contact points across the HIE network.

Although not a major focus of the current evaluation, the Trade Networks have also been working with the education system, including schools, to build the pipeline of talent into the sector. This is useful and is both in line with the needs of the sector and with the needs of the Highlands and Islands region (talent retention).

Finally, wider collaboration offers further opportunities in two respects. First there is collaborations across the sub-sectors of the creative industries as defined by the previous structure of the Trade Networks. Often there may be greater opportunity for a music publisher or label to licence content to broadcasting or games companies than via traditional music industry channels. Similarly, a TV producer could find new content ideas working with book publishers. These cross sectoral opportunities should be a priority area of focus for the future. This may have implications for the structure of future contracts, as discussed below.

Looking beyond the creative sector itself there are myriad opportunities where creativity and technology interact in a wider range of sectors such as digital health, food and drink, education and tourism. HIE is already pursuing opportunities in areas such as digital health with partners such as Glasgow School of Art, and tourism and food and drink are priority sectors. While this is a strategic issue, its solution may lie in operational practice, as discussed in the operational recommendations below.

Strategic Recommendation 3: Creative Industries support provision should seek to build connections across the sub-sectors of the Creative Industries and into other sectors. This suggests a rationale for one Network rather than four, as discussed in the operational recommendations section.

Better Connections

HIE Connections

Throughout the consultation there was a consistent message that the Trade Networks need both to be more connected, and that connection needs to be clearer. Relationships with HIE Area Offices are variable, and largely depend on personal connections and on the relative priority attached to the sector within different parts of the HIE network. This is inconsistent and there remains a low overall level of awareness of the Trade Networks in parts of HIE. We would note that HIE covers a significant geographic area and this challenge (in terms of communication and engagement) is not specific to the Trade Network support.

Looking ahead, this should be addressed and the points of contact between the networks and HIE expanded beyond a single point of contact within the Inverness Head Office. We are not here suggesting a distributed reporting or management structure, but stronger and broader engagement between the Trade Networks and HIE, in particular the Area Offices.

Only a few creative businesses are account managed, and the Trade Networks do not appear to have channelled many into this system. In large part this may reflect the focus of account management criteria on turnover and employment thresholds, but may also suggest a need for improved connectivity, particularly in light of the revised segmentation being developed by HIE.

XpoNorth

The evaluation has focussed on the impacts of the Trade Networks themselves, but the links and connections to the XpoNorth industry event cannot be ignored. The event has clearly grown significantly over its lifetime and is now well established in the industry calendar of events, attracting a growing audience from across the UK and overseas. Establishing the impacts arising from the event was not a part of the evaluation brief, and in any case would be difficult to do. Nevertheless, it is clearly adding value to the sector and to the region in terms of profile and international connections and is very well regarded. However, we would note that it is expensive to deliver (c. £600K).

Northern Innovation Hub and XpoNorth Digital

At the time of writing a tender has been issued for XpoNorth Digital as part of the Northern Innovation Hub (NIH). This is one of 13 projects/activities intended to be delivered through the Hub which looks at exploiting the opportunities that exist within the digital landscape.

XpoNorth Digital will focus on the application of digital technology to the user experience and in areas relating to consumer engagement, a focus that appears to be complementary to the support provided by the Trade Networks. In particular, XpoNorth Digital will not be concerned with content development, while much of the networks' support for innovation is focussed on ensuring that content is more commercially focussed, as well as on business model innovation.

The brand consistency between the two is positive but care will be required in the design and delivery such that the two services remain mutually reinforcing. Our understanding is that there will be an embedded researcher working across both the Trade Networks and the NIH, informing each and providing data to inform both projects, a shared dashboard and mechanisms for cross referring clients. There is also an internal paper setting out the linkages across an innovation ladder of support which is positive and provides a useful means of clarifying this relationship.

Strategic Recommendation 4: Creative Industries support needs to develop stronger connections within and across HIE and with other priority projects (XpoNorth Digital) and ensure complementary provision.

OPERATIONAL RECOMMENDATIONS

Through the evaluation we have identified a number of **operational recommendations** that will support the delivery of future support services.

Collecting and Reporting Performance Monitoring Data

The contract monitoring arrangements, while fit for purpose, are quite light touch and geared more towards gathering and reporting activity data (i.e. what is delivered via the contracts) rather than the outputs and outcomes of the support. There is currently a lack of 'hard' empirical and quantifiable data that measures and demonstrates the value and impact of the Trade Networks.

While some outcome measures are gathered internally, this is a missed opportunity and the current system is under-reporting the success and achievements of the project – this also has a wider knock on effect in terms of the data and intelligence that is reported both internally within HIE and to wider partners (see **Operational Recommendation 5** below).

Within the current system this wider contribution to the economic development objectives of HIE (which forms a major part of the rationale and approval process) is not being captured or reported.

Ensuring that there are the mechanisms in place to gather data to evidence the benefit and impact of the service is important, particularly in the current financial climate when public sector partners are seeking to rationalise their spending and resource commitments, and a wider requirement to demonstrate the impact and benefit of interventions.

The key benefits of developing a more outcome focused Framework include:

- improved evidence base to capture the value and returns of the support;
- stronger linkages with HIE and Scottish Government policy objectives; and
- marketing tool – sharing intelligence within HIE and across partners/stakeholders.

Operational Recommendation 1: The Performance Monitoring Framework (PMF) should be updated to reflect and measure output targets, and link these with project outcomes and the economic and regional development objectives of HIE. Report against these targets should form part of the contractual arrangement for delivery.

The PMF should be based on a 'routes to impact' model that highlights the linkages between the strategic objectives, inputs (financial and resources), activities (based on the detailed specification), outputs (what is delivered), and outcomes and impacts (what we hope to achieve). In addition, the PMF should link in more closely with the cross cutting economic development objectives of the HIE Operating Plan and Government Economic Strategy.

Programme Management

The previous support was tendered via five contracts (four trade networks and the XpoNorth festival) and as a result the programme management was relatively 'hands off' and more reactive. While an element of flexibility within the contract was viewed as beneficial (from some consultees), there is a case for more structured management to allow HIE to identify and react to any areas of underperformance, and identify areas of emerging opportunity.

It was also apparent in the consultations that personnel issues arose across the four Trade Networks. While these kinds of issues can never be completely mitigated, lessons should be learned, with a greater focus on accountability.

Operational Recommendation 2: The HIE programme manager should have a more structured oversight role in the management and delivery of the contract, in particular to ensure that any future intervention is strategically aligned with the XpoNorth festival, the XpoNorth Digital project, and wider business support provision.

The previous model of issuing separate contracts for four Trade Networks (plus the contract for the XpoNorth event) did not help to facilitate connections across the Networks and their target sub-sectors. Following the strategic recommendation to move towards greater cross sector activity, there is now a case for rationalising the support into a single contract for a single network, albeit retaining relevant sub-sector expertise and specific provision.

Operational Recommendation 3: HIE should seek to commission the support via a single contract that identifies the need to promote cross sector collaboration as well as sub-sector specific advice and support in relevant areas (suggested priorities in this respect would be music, screen, crafts, fashion and textiles and digital content).

Market Penetration and Prioritising Resources

One of the challenges which is closely aligned to performance monitoring is understanding the level of market penetration achieved by the support. As identified above, the project has evolved to have a greater focus and emphasis on those businesses where the greatest economic and commercial opportunity exists. This is likely to be a continuing priority for future interventions and in order to ensure an efficient deployment of public sector resources it is critical that we understand the market.

Operational Recommendation 4: HIE and partners should consider undertaking a market analysis and mapping study in order to determine the levels of penetration already achieved and to support future targeting. The market analysis should consider both sub-sectoral and sub-regional performance and opportunities.

Targeting of the support

As noted in the strategic recommendations, the focus of the support should be on economic growth objectives. This requires targeting of support to those companies and individuals that offer greatest potential to achieve economic growth. The kinds of criteria applied thus far seem to rely largely on the professional judgement of the Trade Network managers, and while this will remain important, there is a need for greater transparency regarding the allocations of resources.

We are not suggesting a move towards turnover based assessment but rather a structured diagnostic that considers issues such as:

- ambition to grow;
- understanding of the business needs and prioritise to achieve growth;
- commercial appeal/ potential of products/ services;

- leadership and entrepreneurial qualities; and
- capacity to take advantage of support and work towards growth.

This is aligned to the wider evolution of the business support architecture across HIE being developed in response to the Enterprise and Skills Review and the emerging priorities of the Strategic Board. In particular, these changes include revisions to the customer segmentation model and delivery structures which should create opportunities for closer connections between HIE’s business support provision and sector specialists such as the Trade Networks. It is important that the Trade Network model evolves in line with these wider changes to ensure both complementarity of offer, but also closer linkages between sector support and business development services.

Operational Recommendation 5: Support should prioritise resources on those that offer strongest growth potential against a set of defined criteria (such as those outlined above).

Operational Recommendation 6: the Trade Network model should align to the revised business support infrastructure within HIE, including the segmentation model, and should be an important source of sector specific input.

Again, as noted above, we believe there is merit in continuing to develop the strand of work on talent development and attraction, working with appropriate partners in the education and skills system. This would now benefit from a clearer structure and set of objectives and target outcomes.

Operational Recommendation 7: The talent development work should be developed with a set of objectives and target outcomes attached.

Geographic Focus of the Support

The monitoring data and feedback from consultations identifies that there is perhaps an imbalance with the geographic distribution and take-up of support provision across the region, see **Table 7.1**.

TABLE 7.1: INDIVIDUAL INSTANCES OF SUPPORT – BY SUB REGION

	Number of individuals supported	% of total
Argyll & the Islands	178	9%
Caithness & Sutherland	130	6%
Inner Moray Firth	550	27%
Innse Gall	203	10%
Lochaber, Skye & Wester Ross	450	22%
Moray	245	12%
Orkney	100	5%
Shetland	146	7%
HIE Total	2,002	100%

Source: project monitoring data

Operational Recommendation 8: In order to generate economies of scale, enable Highlands and Islands wide collaboration opportunities, support a more equitable distribution and encourage take-up across the under-represented sub-regions, some more focused engagement activity could help generate greater penetration rates. We recognise that this engagement activity is a “two-way street” and the internal HIE CI team and contractor for the project should consider opportunities to proactively engage with HIE area teams and other local support providers as appropriate e.g. local authority, Business Gateway, etc.

Promotion and Branding

One of the challenges that emerged through the consultation with beneficiary businesses (and to a lesser extent stakeholders) related to the branding and marketing of the support, with a view that the branding lacks a clear and consistent message.

There is a degree of overlap between the various brands under which support is delivered, which leads to confusion. For example, some beneficiaries know the support as XpoNorth, some associate it with the contractor (Screen HI, Ironworks, or Emergents), and only the public sector partners refer to the support as the “Trade Networks”. While the feedback identified that it was unlikely to have any major impact on the successful delivery of the project, the partners should promote a clear and consistent identity for the project. XpoNorth would seem to be the obvious brand not least as this aligns with the event and with the XpoNorth Digital project.

Operational Recommendation 9: Future interventions should look to capitalise on the strong brand and marketing of XpoNorth and promote the support as a year-round provision of dedicated support that is delivered in partnership with the festival and alongside the XpoNorth Digital project.

In addition, future promotion of the support should also include greater recognition of HIE’s role as funding/delivery partner and ensure that the linkages to wider public sector provision such as Business Gateway, Innovate Your Business, and Interface, etc are promoted (see Recommendation 9 below regarding engagement and communication between partners).

Engagement and Communication with Partners

To some extent, there is a degree of isolation between the Trade Networks and wider support provision, and future intervention should look to promote greater connection with support providers across the region and nationally.

Consultation identified that while the majority of public sector partners (including area teams within HIE) were aware that the Trade Networks was a dedicated programme to target the Creative Industries and were active in referring or ‘signposting’, many were not familiar with the specific support that is available and synergies with their own organisation.

In part this is down to using four external organisations to deliver the project - and whilst engaging with local area offices and wider partners forms part of the project deliverables there is recognition that there are limited resources to deliver this activity, and that the focus has been on project delivery and less emphasis on wider promotion and engagement.

Operational Recommendation 10: In recognition of both challenges and opportunities for greater cohesion, it is appropriate that HIE have greater ‘ownership’ over the support and lead the strategic engagement activity.

Recommendations for improving awareness, dialogue and collaboration between partners include:

- partners attending and presenting at both the XpoNorth festival and smaller sub-regional events;
- partners introducing and facilitating seminars at the XpoNorth festival (this is being piloted during the 2018 festival); and
- utilising the performance monitoring data – providing details of engagement with businesses, case studies and the benefits and outcomes that have been delivered.

APPENDIX A: CONSULTEES

Table A1 provides details on the organisations and individuals that contributed to the evaluation.

TABLE A1: CONSULTEES

Name	Role
Highlands and Islands Enterprise	
Charlotte Wright	Chief Executive
David Oxley	Director Business and Sector Development
Martin Johnston	Regional Head of Sectors, Inward Investment and International Trade
Nicola Douglas	Regional Head of Business Growth, Entrepreneurship and Programmes
Donna Chisholm	Area Manager - Moray
Rachel MacKenzie	Area Manager-Innse Gall
Lucinda Gray	Head of Projects and Partnerships Team Argyll and the Islands
Caroline Forsyth	Account Manager Skye
Rachel Skene	Senior Development Manager
Ann Marie Reid	Senior Social Culture Enterprise Manager
Iain Hamilton	Head of Creative industries
Jeni Oliver	Senior Executive Creative Industries
Iranzu Galdeano	Project Co-ordinator Creative Industries
Karla Sam-Sin	ScotGrad Programme Manager
Fiona Paton	Senior Innovation Manager
Trade Networks	
Pamela Conacher	Network Manager Craft, Fashion and Textile
Peter Urpeth	Network Manager Writing and Publishing
Amanda Millen	Network Manager Screen and Broadcast
Alex Smith	Network Manager Music
Stakeholders	
Matthias Tell	Executive, EXCITE
Patricia van der Akker	The Design Trust
Sat Bisla	Director, A&R Worldwide/ MUSEXPO
Helena Ward	Creative Industries Manager, Creative Scotland
Clive Gillman	Director of Creative Industries, Creative Scotland
David Martin	Key Sector Manager for Creative Industries, Skills Development Scotland
Lorraine Thomson	Business Engagement Manager, Interface
Caroline Parkinson	Sector Engagement Executive – Creative Industries, Interface
David Knight	Senior Area Business Manager, Business Gateway

APPENDIX B: TECHNICAL EIA

This appendix presents the technical aspects behind the Economic Impact Assessment, providing details for the GVA benchmarks, Net Impacts and Multipliers.

SALARY AND GVA BENCHMARKS

GVA and Salary per head values were taken for the sectors that the beneficiaries operated from the Scottish Annual Business Statistics (SABS) for Scotland⁶. These were adjusted for inflation and the Full Time Equivalent (FTE) value, **Table B.1**. The GVA a wages benchmarks were then halved to take into account that the majority of supported businesses were small artisan producers which will have lower levels of GVA than larger, more established businesses.

Many of the wages benchmarks are below the minimum wage (£14,250 based on a 35 hour week). However, this was judged appropriate as many respondents are self-employed artisan producers with low levels of revenue.

TABLE B.1: GVA AND SALARY COEFFICIENTS

Sector	GVA Benchmark	Wages Benchmark
Motion Picture, Video and Television Programme Production, Sound Recording and Music Publishing Activities	£19,576	£10,035
Publishing Activities	£28,208	£15,650
Manufacture of Textiles	£24,394	£10,323
Manufacture of Other Non-Metallic Mineral Products	£29,267	£16,552
Other Professional, Scientific and Technical Activities	£26,432	£10,700
Creative, Arts and Entertainment Activities	£14,074	£10,156
Computer Programming, Consultancy and Related Activities	£42,831	£20,133
Accommodation	£17,570	£7,896

NET IMPACTS

The net impact of the Programme is the difference between what would have happened anyway (i.e. the reference case) and the benefits generated by the Programme (i.e. the intervention case), adjusted for displacement, leakage, deadweight, and multiplier effects.

Deadweight was considered on a case by case basis. The impact survey asked the counterfactual question: thinking about these effects, what would you estimate would have happened if you had not accessed this support? A ready reckoner⁷ was applied to calculate the deadweight effects:

TABLE B.2: DEADWEIGHT READY RECKONER⁸

None of the effects would have happened/ will happen	0%
Some of the effects would have happened/ will happen	25%
About half of the effects would have happened/ will happen	50%
The majority of the effects would have happened/ will happen	75%
All of the effects would have happened/ will happen	100%

The overall level of deadweight was low at 16% for this receiving more than seven hours of support, indicating a high level of additionality to the intervention. Deadweight was higher at 49% for those receiving less than seven hours of support, indicating less lower levels of additionality for those who had received less intensive support.

Leakage is the proportion of outputs that benefit those outside the Programme's geographical target area (i.e. Highlands and Islands). Leakage estimates were based upon likely proportion of employees which are employed within Scotland.

⁶ <http://www.gov.scot/Topics/Statistics/Browse/Business/SABS/LATables>

⁷ The ready reckoners used are based on established good practice and guidance for BIS

⁸ Please note, the ready reckoners referred to in the report are used as a guide in assessing case by case impacts.

This was based upon the location of the business, so for example if they are close to the border of the area, leakage was judged to be higher.

The overall level of leakage was very low, as the majority of businesses were located far from the area border, indicating that the majority of impacts were retained in the Highlands and Islands.

Displacement is the number or proportion of outputs/outcomes that reduce outputs/outcomes elsewhere in Scotland. These effects can occur in product markets (e.g. amongst non-assisted businesses competing in the same market) or in factor markets (e.g. in the labour market). Displacement was considered on a case by case basis.

First the businesses were asked the proportion of competitors based in Scotland, with a greater concentration of competitors potentially indicating a greater level of displacement.

A ready reckoner was applied to calculate the displacement effects:

TABLE B.3: DISPLACEMENT READY RECKONER

None of the businesses I compete with are based in Scotland	0%
A minority of the businesses I compete with are based in Scotland	10%
Around half the businesses I compete with are based in Scotland	25%
The majority of the businesses I compete with are based in Scotland	45%
All the businesses I compete with are based in Scotland	60%

Respondents were then asked how much of their sales were made in Scotland, with higher levels of sales in Scotland potentially indicative of higher levels of displacement. A further ready reckoner was applied with the average of the two taken as the displacement effect.

An additional question was asked to establish the level of growth in the sector in which the business operates. Within growing markets competition is likely to be lower and conversely, within declining markets it is likely to be more intense. The following adjustment was made to the ready reckoner based upon the level of growth in the market.

TABLE B.4: DISPLACEMENT READY RECKONER GROWTH ADJUSTMENT

Growing strongly	-15%
Growing	-10%
Static	0%
Declining	+10%
Declining strongly	+15%

The overall level of displacement was relatively low at an average of less than 10%. These low levels of displacement are due to the low levels of local competitors, and relatively high levels of sales outside of the Highlands and Islands, and to tourists.

Multipliers are further economic activity (e.g. jobs, expenditure or income) associated with additional income to those employed by the Programme (income multipliers); with local supplier purchases (supplier linkage multipliers) and with longer term development effects (dynamic effects e.g. induced inward migration).

Multiplier data is based on guidance provided by the Scottish Government - Type II multipliers and calculated in a similar way to GVA and Wages benchmarks. Using the reported industry sector, description of business activities and

companies house entries to determined multipliers for each sector. As multipliers are presented at the Scottish level, the multipliers have been halved to account for the reduced multiplier effect at the Highlands and Islands level. The multipliers used are presented in **Table B.5**.

TABLE B.5 MULTIPLIERS⁹

Sector	Multiplier
Film video & TV etc; broadcasting	1.26
Publishing services	1.18
Textiles	1.26
Glass, clay & stone etc	1.14
Other professional services	1.30
Creative services	1.22
Computer services	1.29
Accommodation	1.26

⁹ Note: Sectors are different from earlier Salary and GVA benchmarks due to using different datasets