S4C Relocation to Caernarfon

Economic Impact Assessment

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Asesiad economaidd o adleoli S4C I Gaernarfon

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Introduction

The following outlines the results of an economic impact assessment of the potential relocation of the S4C headquarters to Doc Fictoria in Caernarfon, Gwynedd. The challenge with this work was timing in terms of the very limited time to undertake the study and the confidentially surrounding details of the actual project which clearly limited the scope of work that could be done. To this effect whilst this somewhat compromised the approach we are confident that the following provides a true and accurate reflection of the potential impact associated with this exciting project for Caernarfon.

In turn there follows a HMT Green Book based approach to measuring the potential impact of relocating the S4C headquarters to Caernarfon as well as an assessment of the longer term impact of the vision for the development of the Doc Fictoria area in Caernarfon as a hub for the creative industries.

Background

S4C, the national Welsh language broadcaster, is seeking to positively utilise its role at the heart of Welsh life to further increase its impact upon the social, cultural, economic and linguistic prosperity of the nation and, in particular, its Welsh speaking heartlands.

One way in which the broadcaster is considering its impact is through reviewing the distribution of its activities and employment across Wales.

In early 2013, S4C began a process to consider the potential to relocate some of its functions from Cardiff to other parts of Wales. In September 2013, S4C announced its intention to scope the possibility of relocating its headquarters to one of two potential locations - Carmarthen (at Trinity College) or Gwynedd - or remain in Cardiff (at its current location or new premises) with the intention that it should reach a conclusion in the first half of 2014. To this end both areas are required to provide additional information to S4C by March 2014.

The Gwynedd proposal centres upon the Doc Fictoria area of Caernarfon, building upon the creative facilities and enterprises already there and in the area more broadly – and leveraging the relocation of S4C as a springboard for the development of the Doc area as a creative industries hub in terms of North West Wales' offer as the 'Creative Capital of Wales'.

As noted, this section of the report specifically and robustly assesses the potential economic impact of the Gwynedd proposal directly through the relocation of S4C (short term) and more broadly through the development of Doc Fictoria (longer term). In considering the conclusions drawn in this section the concept of *additionality* must be given due regard; the real, tangible impact of any relocation will only be achieved where a change in behaviour occurs, for example, where staff move home, posts are occupied by residents local to the new headquarters, suppliers relocate or goods are purchased from local sources. The following provides broad estimates to these potential relocation effects.

The Industry

It is extremely difficult to secure a hard definition of the creative sector given that creativity should of course transcend every sector in the economy especially with an imperative to maintain competitiveness and sustainability. At the same time in order to identify the source and support of a sector this requires that one has some idea of the types of industries that will be closely associated with a defined creative sector. To this end fairly recent work undertaken by the Creative Skill Set Cymru - Immediate skills needs of the Creative Industries in West Wales, the Valleys, and North West Wales (March 2012) - identifies the following key typologies for a 'creative sector' and comments therein for the sector within a Wales context refer with a fuller discussion at Appendix 1:

Computer games: The Welsh computer games sector is particularly small (thought to be approximately five companies). Access to finance is always an issue for all creative sub-sectors but particularly for games development and this is no different in Wales.
Fashion & Textiles: The industry in Wales has one or two larger businesses and many smaller entrepreneurs but as a whole, the sector faces similar challenges regardless of size.
Film: The domestic film industry in Wales is still nascent. There is a natural crossover between the disciplines of film & TV but this has only happened to a limited extent in Wales.
Photo-Imaging: Photo-imaging (the digital manipulation of photographs) could be a crucial sector for developing next-generation talent and ideas for the wider creative industries in Wales.
Publishing: Book publishers in Wales need employees to have a range of skills including copy editing, design, managing budgets and, most pressingly, understanding the international rights market. E-publishing is also a pressing issue as the pace of change is accelerating. Newspaper journalism is contracting, resulting in a wave of redundancies and the need to re-skill an older workforce. More and more freelancers are coming onto the market.
Radio: The commercial sector is undergoing heavy consolidation. Both BBC Wales and BBC Cymru are having their budgets cut and are reconsidering their purpose as part of wider national BBC budget cuts.
Television (broadcaster): Broadcast television in Wales is undergoing major changes. On top of recently-announced BBC budget cuts nationwide, the recent DCMS handover of S4C funding to the BBC means its budget is also being reduced. On the other hand, Cardiff Drama Village is driving a need for skilled craft and crew in many areas and departments.
Television (live news): Delivery of news coverage is no longer the exclusive realm of broadcasters with capital for expensive equipment. Wales is well placed to capitalise on this: The nation has strong journalism courses that set the standard across the UK. In addition, Welsh broadcasters deliver strong in-house training.
Television (indie sector): UK television exports are currently 2nd in the world television market but Wales is not capitalising on this remarkable trend. Indie producers also fear that Cardiff Drama Village is draining talent towards its pull.
Source: Creative Skill Set Cymru - Immediate skills needs of the Creative Industries in West Wales, the Valleys, and North West Wales (March 2012)

Therefore according to this work there are some 7 key sub-sectors making up the creative industry – narrowly defined - and the WG include this as one of the 14 target growth sectors within a Wales context. A wider definition of the creative sector would also include the following key sub-sectors:

- Advertising
- Architecture
- Crafts
- Design

For the purposes here the narrowly defined creative sector provides the underlying basis of any further commentary and analysis of impact however it should be clear that these other sub-sectors are potentially contributing or affected by the possible relocation of S4C to Caernarfon. In turn, where we refer to the creation of jobs – particular for the longer term – then these are also the sub-sectors that are likely to be contributing from a creative industry perspective at least. However it should be noted that this does not necessarily limit or indeed should be presumed as the actual outcome – indeed, benchmarks show that there will be a variety of sectors that should co-locate in these circumstances (eg business and professional services sub-sectors).

The Creative Industry in Gwynedd (Baseline)

A 2004 Labour Market Survey (February -March) shows that there were 21,600 workers across Wales in the creative industries. It is estimated that this would then account for about 1,400 jobs in Gwynedd representing 6.6 % of the total and the most significant cluster of the sector outside Cardiff and Rhondda Cynon Taf.

Clearly developments over the past decade have changed the climate for companies in the sector in Gwynedd as for everywhere else. Where total UK employment had increased in line with previous growth rates then it could be surmised that the number working in the sector in Wales has increased to around 25,000. The key question is whether Gwynedd has maintained its share of the industry? We suspect ***not*** especially with some of the consolidation that has been taking place and the draw of Cardiff for the narrow base of the industry at least although it is very likely that the total working in the sector has increased and lies between 1,500- 2,000 currently in Gwynedd.

In December 2011 the DCMS produced a statistical report 'Creative Industries Economic Estimates'. This document confirmed that the new SIC07 has been established in recognition of the sector and provides a detailed analysis of the value of the sector across the various sub - sectors and across the different regions of Britain. We have estimated from the DCMS report that the average GVA per head (ie productivity) for the broad based sector is around £27,400 per head; in turn we estimate therefore that the value of the sector to the Gwynedd economy is currently estimated at between £40 - £55m – around 2.8% of the local economy. The GVA per head will though vary widely according to which part of the creative sector one is valuing. So for example the GVA per head for the film or radio/TV sub-sector is substantially higher. A rough estimate of the direct impact of 55 jobs within the Radio / TV sector suggests that it will be worth in the region of £2.76m to the economy – this without taking account of additionality and multiplier effects (see below). The very latest estimates from the Welsh Government (WG) suggests that the total ***recorded*** number employed within the creative sector in Gwynedd is 1,300 for 2012 therefore we could surmise that the size and value of the sector is currently no more than 1,500 with around £40m of GVA which is still of course very significant (ie 2.2% of total employment).

A sector report commissioned by North Wales Local Authorities in April 2012 showed that a cluster of employers in the creative industries was more important for Gwynedd than any other county in North Wales. According to the latest research by the WG there are an estimated 180 enterprises in Gwynedd within the creative sector in 2012 – **this is the third highest density of creative businesses in Wales** (ie behind Cardiff (655) and Powys (185)). That said there are an estimated 475 companies in the sub-sectors of computer programming, television and video production, audio, print music, creative activities, arts and entertainment (this does not include architects, printers or retailers that are included in the new definition SIC07 for the sector) located in Gwynedd. This also implies that the size of businesses is predominantly small – indeed very small - with a tendency towards freelancing and thus self-employment a particular development within the sector.

This fits in with a broader picture of the Gwynedd economy of course which has always had an above average rate of self-employment. However we can conclude from this analysis that the creative sector remains strong in Gwynedd despite the impact of consolidation and recession.

Particular features of the creative industry currently in Gwynedd include the following:

- A digital creative industries network has recently been established (ie C6) which aims to support and develop the creative sector across North Wales – members include the key FE/HE institutions, the Local Authorities, private companies and the Welsh Government;
- whilst it is estimated that roughly the same number of workers are employed in the sector, working conditions have changed considerably with a much higher percentage of self-employed work on contract;
- BBC and S4C are located in Gwynedd;
- The strength in language skills gives a natural advantage to the area within the sector and also an opportunity to promote multilingual technical skills;
- Over £ 45 million will be invested in the Pontio project to promote innovation within the creative industries sector;
- Galeri offers a very good example of good practice to support the development of the creative sector;
- Coleg Menai is considering opportunities to develop a new centre for the Creative Industries in the medium term which would not only provide skills , but also to strengthen relations with employers;
- Arts Forum - this forum has been established to enable artists to network within Gwynedd and there are currently 200 members;
- An endowment established the Film Commission and the Gwynedd Events Commission has developed a very attractive proposition for local activities / events with a large choice of places;
- A cluster of businesses within the digital sector have resulted from Bangor University and located within CAST – but a threat and opportunity exists for this cluster as a result of uncertainty about the future of the building;
- Gwynedd Digital seeks to influence and help to create the infrastructure that would give an advantage to companies Gwynedd compete globally in the sector
- The arts in the community is a strength in Gwynedd compared to other areas of Wales and successful ventures such as Glanaethwy, SBARC and Cofis Bach a Mawr performing enterprises are located within the local area providing the opportunity to develop top class creative talent.

The cluster of broadcasting and creative companies should therefore continue to thrive in Gwynedd despite funding retrenchment and the impact of recession.

Creative Industries in Caernarfon

Caernarfon historically has had a very strong affinity with the creative sector - however defined. That said this affinity has over the last 30 or so years[1] been invariably linked to media / TV broadcasting in particular where in its heyday the town boasted some of the best regarded production companies in Wales including Barcud, Ffilmiau Nant, Cwmni Da etc who were delivering some of the best loved programmes (eg C'mon Midffild, Deryn, Rownd a Rownd) of their time. The closure of Barcud in 2008 was a watershed for the media / broadcasting sector within the town with subsequent changes (eg Ffilmiau Nant amalgamated with Opus to form Rondo) to key companies lost the area some impetus in the sector. It also ratcheted the outflow of creative talent from the area as they headed south to Cardiff where the development of the city coincided with major broadcasting productions (eg

[1] S4C was established in 1982 and real development within this sector in Caernarfon coincided with this event.

Dr Who and Casualty) and somewhat a consolidation of the Welsh media around the capital (OPM Study for S4C - Dec 2013).

Currently Caernarfon – and more generally Gwynedd – has been picking itself up from the debris and the fulcrum of this new development has centred in and around Doc Fictoria in Caernarfon. A number of creative sector based companies are based in the Doc including very recent and extensive investment by Cwmni Da next to the Galeri which itself is a mainstay facility of the creative arts at a North Wales level. Alongside which S4C and Griff films are also based within Doc Fictoria whilst other important creative sector companies (including media) and organisations are dotted in and around Caernarfon such as Rondo (Cibyn Caernarfon), Sain (Llandwrog) and Coleg Grwp Llandrillo (Glynllifon).

Proposals therefore for S4C to potentially relocate a key part of its headquarters to Caernarfon poses a very exciting and important opportunity for a town which has somewhat struggled to re-establish itself as a key urban / service hub for the south and west of Gwynedd – this despite having some of the most striking geographical, architectural, medieval and Roman heritage in the UK and of course a relevant creative industry cluster.

Lessons from other comparable investments

A recent report commissioned by S4C itemised the following key lessons associated with a synonymous investment strategy involving linguistically sensitive broadcasting:

"The main messages for S4C from the experience of MG ALBA and the independent TV producers were as follows:
1) It is beneficial to locate in a heartland area and gives intellectual legitimacy, proximity and accessibility to the core audience.
2) Staff based in heartland areas are likely to be involved in the community and close to the " vibe" in the community
3) Recruitment and retention is not generally a problem in the heartland areas when there are good jobs
4) Co- locating with another organisation which is predominantly English speaking undermines and dilutes the potential for a Welsh/Gaelic speaking workplace and workforce
5) Independence of brand is important as is a visible connection/ location with the heartland community
6) Location of a main base and headquarters would benefit from being in a heartland
7) Locating independent producers in heartland areas has some lower cost advantages- lower wages/ cost of living but also higher production costs for technicians and travel and accommodation costs as most of the talent base are in the cities. Independants located in rural areas reduce their margins to cope (because they want to be there) but also need more "security" from the broadcaster- volume deals or allowances to enable less competitive financial expectations for programme making in rural areas"

MG ALBA – Jim O'Rourke 2013

This quite clearly highlights that maximum benefits associated with devolvement of primary (media) functions (ie in this case HQs) is where it is located in the community with the greatest affinity with its vision, culture and aspirations. In which case Caernarfon would appear to be particularly apt in order to maximise the leverage of this investment – and draws a prima facie case of erring towards estimating towards the higher end of the impact spectrum in terms of the following impact assessment.

Context for the S4C Project

The economic environment remains difficult in the UK and possibly weaker in Wales given an over-dependency on public sector activity and employment. More generally the latest OECD forecast for the UK suggests slow improvement with c. 1.5% GDP growth projected next year; this needs to be seen within the context of the country's historical long term growth trend of between 2.5 - 3% pa. Put simply it is around half of what is normally expected and lags behind its major economic partners although remains consummately better than the rest of Europe. Therefore the short term prospects remain fragile. In turn, projects and developments which combine the requirement for good levels of private household spending and significant public sector support will need to have a very strong market proposition to withstand and indeed deliver within this more difficult economic context.

The position is no different in Gwynedd although in fairness the county has performed at least as well (if not better) as Wales across some of the main labour market variables (eg unemployment, employment, economic activity etc). It is in terms of value added that the county continues to struggle – where the relative position with the rest of the UK has indeed deteriorated since 2007. This would seem particularly relevant in terms of the potential contribution of this project locally (see below).

Further the context for the town of Caernarfon itself is also of key relevance:

- Whilst the town has a major heritage 'product' – ie Roman Fort, Edwardian Castle etc - on offer, the town has struggled for many years to re-establish itself as a key urban centre within the west Gwynedd context;
- The town has one ward (ie Peblig) which is the most deprived in Gwynedd and is within the top 10% most deprived wards in Wales; it also has a number of other proximate wards (eg Seiont , Cadnant) in the worst 50% (see table below);
- The retail offer in the town centre has been extremely weak for some considerable time with a significant number of empty units and 3rd sector presence. Whilst reflective of many other towns subject to out-of-town developments, Caernarfon itself has had very limited out-of –town development. This weakness is reflective of the effects of the by-pass that split the town in two and an inability to regenerate the town centre despite numerous costly attempts;
- Those issues evident at the Gwynedd level – low value, tourist led employment opportunities etc - are a particular feature of the town aside from the presence of the Council headquarters without which it would struggle very badly. The retrenchment of public sector funds and possibly employment is therefore a particularly serious threat to the town of Caernarfon.

The latest statistics from the 2011 census for Caernarfon wards are summarised in the table below:

	Population	Can speak Welsh	% Speaking Welsh	% Limiting Long Term Illness	Social Rented	Unempl	Part / unskilled	No Quals
Cadnant	2060	1705	86.2%	27.30%	40.30%	8.60%	38.40%	35.80%
Menai	2196	1794	83.9%	24.70%	6.30%	4%	19%	19.70%
Peblig	2321	1899	87.4%	24.70%	57.10%	14.40%	41.60%	41%
Seiont	3038	2481	85.3%	19.20%	22.10%	4.20%	34.40%	27.20%
Caernarfon	9615	7879	85.8%	23.98%	31.45%	7.80%	33.35%	30.93%
Gwynedd	121874	77000	65.40%	20.50%	16.30%	5.50%	25.90%	23.20%

What this graphically shows is that this is a distinctly Welsh area but which is also very socially deprived with pockets of very high unemployment, high rented sector and well below average skills base. The prospect therefore of attracting what is the high value end of the creative sector to the town / county takes on a very different meaning within this context of what can be fairly described as an economically challenged area.

The Welsh broadcasting company's objective of eliciting a closer relationship with its target audience – which is Welsh speaking people – also has a strong resonance with this sort of context. A combination of a pre-existing creative industry base as well as being the heartland of indigenous Welsh speaking population with a very strong relationship with S4C programming and broad based artistic talent (ie acting, music, technical etc) catapults Caernarfon as an obvious potential choice of location despite the economic challenges facing the town.

The S4C Project

The purpose underpinning the S4C relocation project has been encapsulated through an announcement by the current CEO Ian Jones which highlighted that the broadcasting company was keen to explore the possibility of relocating parts of S4C outside of Cardiff in order to meet it vision. Formal steps were then announced of how this would be done which was initially through an open invitation for expressions of interest which was then filtered down to two main candidates – Carmarthen and Gwynedd. Clearly it wasn't lost by S4C that being based within an industrial estate in Cardiff was anything but reflecting its current vision of being " at the heart of the nation"; and by this, clearly being at the heart of a Welsh speaking 'nation' which is what it supports and is supported by. The importance of bringing around fifty Welsh professional jobs and the presence of headquarters operations within a Welsh speaking community was an essential criteria of the relocation framework in order to promote the use, status and profile of the language. A further ambition was that this would " create a further stimulus to boost the Welsh creative industry in the successful candidate area".

This project is expected to involve utilising an existing building located at the heart of Doc Fictoria next to the Galeri; it will be remodelled to provide S4C an exquisite working and interactive environment to meet with its expectations of securing strong interface with the community at large as well as securing a splendid place to do business within a seafront setting.

Medium to long term then more extensive development will be expected in keeping with the proposed vision and masterplan for Doc Fictoria which will involve a major redevelopment of the south side of the Doc to connect more closely with the rest of the town whilst also developing a site for creative clustering as well as linked business / retail opportunities.

There are therefore two key phases to the proposed project which involve short and longer term development and which will have materially different scales and scope of impacts on the town / Gwynedd/ North Wales.

The following addresses the impact of both aspects.

Short Term Project Impacts

The short term project is as described by the B3 Architects which will take the whole of the current ground floor retail offering (ie ‘Celtica’) and develop this into a combined reception and performance area. The third floor of the building becomes the main office area which is linked by a dedicated lift from the ground floor with provision to accommodate a mix of 55 professional staff as well as scope for large meeting rooms and potential office lets[2]. The development will provide some 18,000 sqft of space with a total capital costs of up to c.£2.5m which could be completed by the end of the year.

Short Term Impacts

Clearly the short term direct impacts are going to be limited by the primary scale of the investment (which currently is speculative at £2.5m) and which in this case is expected to contribute c.55 jobs broadly categorised by the following:

	Number	**%**
Senior Managers / Penaethiaid	14	25%
Mangers / Rheolwyr	11	20%
/ Administrative/ Gweinyddwyr	30	55%
Total / Cyfanswm	**55**	**100%**

These are very high quality jobs within the Caernarfon context and will therefore add considerably to local wealth creation and short / medium term opportunities.

Further direct impact would also be expected from:

- Site expenditure – that is the day to day expenditure on products and services associated with running the HQ net of any commissioning or production work which in the short term at least is likely to remain unchanged regardless of any (re)location for the HQ. Therefore from an impact appraisal perspective this would be a non-additional (or deadweight) element and would therefore remain unchanged from a notional baseline position.
- Visitor expenditure - finally and perhaps not so obvious is the scale of business visitors that the new HQ location will attract to the area.

These components have been modelled separately to provide us an estimate of the aggregate impact of the investment. The modelling is based on a standard method which takes into account deadweight, displacement / substitution, leakage and multiplier effects.

The technical assumptions underpinning the results are as follows:

- For the short term impacts then these have been assumed to reflect no deadweight activity (ie activity that would have happened anyway) and no displacement given that the existing S4C jobs in Caernarfon remain unaffected by the relocation and the investment is seen as

[2] No output or financial return on the office lets are assumed for the impact assessment – at this juncture this would be extremely uncertain.

complementary / symbiotic to the existing base of activity. Further our understanding is that possibly 20 - 30 people will relocate from Cardiff whilst the remainder will be recruited 'locally' which again limits the scope for displacement in the host area. Whilst all the jobs should be assumed net additional to the area the impact from a labour market perspective will be clearly lower in this respect.

- Multipliers (both GVA and employment) are those which have been applied for previous similar investment assessments in Gwynedd / North Wales though calibrated where appropriate to reflect this particular sector from other benchmark projects[3]. Type II multipliers incorporating indirect and induced effect of a direct impact are applied.
- The leakage effects of the relocation have been accommodated through undertaking a contemporaneous analysis of current location patterns of staff employed at the Council. The sample base of this analysis is large but disaggregated by wage levels and therefore provides the most effective method of modelling the probable domicile decisions associated with both staff relocating and those recruited locally for residual posts. Similarly the expenditure leakages are expected to be reflective of existing patterns in the Cardiff office which have thus been reflected for this analysis and are based on S4C data.
- Visitor expenditure levels are based on outputs from work which was undertaken to estimate the impact of the WG's relocation programme as well as the latest STEAM results for Gwynedd and assuming a synonymous pattern of visits currently evident in Cardiff[4].
- A simplifying assumption is that whilst acknowledging that the short term impact may take 2 years to fully materialise and given the uncertainty concerning the scale of the re-location from Cardiff then the following provides a steady state impact profile. That is it measures the impact as if it was instant. This will have a small positive bias in the income effects in that the real value of the impact will be less if it takes say 2 years to materialise; without having a robust measure of the variable proportions likely to be in place over the period then it would seem futile to attempt profiling this given the difference would in any case be at the margin. Regardless where we believe this (ie gestation of 2 years at 50% per year) to be the case then this can merely be noted since the discounting rate effects will be very small between the two period as to render them negligible (ie less than 2% according to the latest GDP deflators). Therefore roughly speaking the first year impact may be assumed to be 50% of the outturn itemised below where the project takes two years to fully materialise.
- Without specific information concerning the individuals taking up these new posts then utilising gross wages as the measure of direct impact may have a marginal upward bias in the results since taxation will reduce disposable income levels – although this is likely to be very small if not negligible in real terms where the effects of allowances, credit and dis-savings are factored into the calculations. Regardless the method has been widely accepted as a good proxy measure of GVA impact.

Taking these assumptions into account then the algorithms underpinning the net GVA impact calculation are as follows:

$Y = G*(1-D/W)*(1-D)*(1-S)* (1+M)$ where G is the Gross GVA estimates, D/W is the deadweight rate, D is the displacement rate, S is the GVA scalar applied (expenditure only) and M is the multiplier rate. Leakage is accommodated through apportioning wages and expenditure geographically.

[3] Studies for Canada. Scotland and Ireland have been used to calibrate the multiplier levels; the analysis has therefore been split with spatial multiplier used for the local impact (ie 1.15) and sector multipliers for the broader impact areas (max of 2).
[4] Following discussion with S4C this was presumed to be a sensible approach.

Similarly the same algorithm is applied for the calculation of net jobs where G is substituted by e which is the estimated gross employment and no scalar is applicable therefore we have:

E = e*(1-D/W)*(1-D)* (1+M) where 'e' is the Gross employment estimates, D/W is the deadweight rate, D is the displacement rate, and M is the multiplier rate. Leakage is accommodated through apportioning projected domicile geographically.

Table 1 below shows the overall net impacts flowing from this project at different geographical levels.

Table 1 – Short Term Impact of S4C Relocation to Caernarfon

	Lleol / Local	Gwynedd	Gogledd Cymru / North Wales	Cyfanswm Gog Cymru / Total North Wales	UK
Cyflogau /Wages	£1,638,161	£694,950	£410,802	£2,743,913	£2,743,913
Cyflenwyr /Suppliers	£13,081	£11,900	£14,400	£39,381	£54,781
Arall / Other	£0	£0	£0	£0	£0
Grand Total / Cyfanswm Llawn GVA	£1,651,242	£706,850	£425,202	£2,783,294	£2,798,694
%	59%	25%	15%	100%	
Jobs	48	18	7	73	
%	65%	25%	10%	100%	
				NPV - 20 year	
				£66,510,830	

It should be noted that the impact at the Wales level is of course '0' – since this is a relocation then all the direct impact is displacement. However by not including the donor area in the impact work it is possible to establish the contribution levels relevant to this particular location – which in this case we have defined as local (broadly within 5-10 miles of Caernarfon), the rest of Gwynedd as a whole and the rest of North Wales. Further is it not clear at this juncture how many people will actually relocate with the new posts at Caernarfon. Whilst this is immaterial in terms of the measure of GVA impacts it will of course be material in terms of its direct impact on the labour market (eg unemployment).

Regardless the combined direct, indirect and induced net impact of the potential S4C relocation to Caernarfon in the short term is estimated at over **£1.65m locally and 48 jobs** – this includes all additionality and leakage effects. The total NPV of the project at 3% discount rate over 20 years is over £66m in total (net of the capital spend).

The final component of the impact assessment involves measuring the impact of potential increased (business) visits to Caernarfon. The visitor impacts from establishing the HQ in Doc Fictoria are in the main, expected to be predominantly business related – certainly short term. However with the intention of developing accessible performance area for the wider community then this aspect should clearly develop significantly over time. For the purposes here then the assessment considers only the immediate impact of business visitors.

A previous assessment indicates the following rates of expenditure for business visitors to WG buildings which provide an useful benchmark for this particular project:

	Average spending per person / day (£) by expenditure category
Shopping	15
Food and drink	15
Accommodation	140
Transport	30

The profile provided by S4C for the types and frequency of visits to the HQ in Cardiff is summarised in the table 2 below.

Table 2 : Current Business Visits to S4C HQ Cardiff

	Min visitors per day	Max visitors per day	Non-local visitors
Commissioning	5	12	8
Finance	1	6	4
Archive	1	5	3
Promos	1	2	1
IT	1	3	1
General	1	6	2

From this we have taken the median level of visitors per day and apportioned a daily non-local component to the volume numbers. We have then assumed that non-local visitors are overnight stays (1 night) and therefore induce accommodation / shopping expenditure as well as food & drink and transport expenditure. For local visitors then we have assumed that these incur food and drink / transport expenditure only. Clearly there is scope for a deadweight element within these visitor flows – principally because there is a pre-existing S4C office in Caernarfon and because a proportion of these are 'local' visitor as well which means that they could be making a visit to the town anyway (ie visiting S4C is not the primary function of the visit). That said on the advice of S4C we should regard these visits as additional in that they would be expected as visits to the HQ – not the regional office. We have therefore assumed a nominal deadweight element to the local visitor flows (ie 10%). All impacts are deemed 'local'. The results of these calculations are provided in table 3 below

Table 3: Visitor Impacts of S4C Relocation

	Local Visits (£)	Non-Local Visits (£)
Commissioning	127.5	1133.33
Finance	52.5	466.67
Archive	54	360.00
Promos	33.75	150.00
IT	60	133.33
General	105	233.33
Gross spend per day	**432.75**	**2476.67**
Aggregate net spend per day	2866	
Aggregate net spend per year	725134	
Net GVA Impact	**253797**	

Therefore the combined short term direct, indirect, induced and visitor GVA impacts of locating the S4C HQ in Caernarfon is estimated at just over £3m in total for North Wales with £1.9m of this flowing into the local economy (ie Caernarfon) itself.

Taking average estimated GVA per head for Gwynedd then the visitor impacts would also contribute towards supporting up to a further 18 additional jobs locally – a total of 66 net jobs locally (91 in total across North Wales).

Taking therefore the baseline estimates for the creative sector in Caernarfon / Gwynedd then this relocation will add:

- 66 jobs within the creative sector locally which is to add 4.4% to the current estimated total base of employment in the creative sector ; and
- An increase of 6.5% (ie £2.6m) towards total GVA in the sector locally (incl visitor impacts)
- Plus a further 18 visitor jobs supported at the Caernarfon level.

Finally there is the capital cost of establishing the new building the cost of which at this juncture is very provisional ; however let's say that the expenditure was £2m which spent locally would take the overall local[5] impact to over £3m in total in the first full year of operation.

Wider Short Term Impacts

Alongside these tangible benefits there are other more subtle but no less important business, social and community impacts that should flow from this project including:

- From the consultations and focus group meeting that was conducted it was highlighted that the main issue to consider would be the potential dislocation and displacement of current activity from the town centre – this though had been factored into the modelling work
- Otherwise without exception the overwhelming response from these consultations was one of significant expectation and a recognition that the town of Caernarfon really needed (if not deserved) this sort of investment
- The main psychological feature of the impact this relocation could have on the town of Caernarfon would be the effect on local **CONFIDENCE** – in effect this would go a very long way towards (indeed beyond) repairing the damage that was done to the town, the sector and the community following the closure of Barcud and the consolidation since in the industry
- The expectation that it would indeed create an environment that would initiate further investment both within Doc Fictoria (as per vision / longer term impacts) but elsewhere in the town and along the "Cei "
- The direct digital link with Dublin, Manchester and in particular Media City (Salford Quays) is expected to generate strong two way interest in the creative sector – real tangible benefits will therefore be possible for businesses locating and embedded in the culture industry within Doc Fictoria and wider afield within the visioning area. This will have both short and longer term opportunities which will help consolidate the sector in the short term and will almost certainly contribute towards achieving the longer term vision for the area

[5] That is at the Gwynedd level.

- It would have a direct and immediate impact on aspirations of young people locally with the prospect of enhancing training and education within the sector locally
- Finally it would contribute towards the wider education linkages along the North Wales coast.

Longer Term Vision

Alongside the development of the S4C building a longer term vision for the area is one of an unique development that covers the whole of the quay frontage east and west of the Castle. Our primary consideration for the impact work is to the east of the Castle but which complements the proposed development at Cei Llechi which is expected to become a major regional heritage centre. The plans for Doc Fictoria include:

- Creating a link / pathway with the rest of the town that will attract people to and from the creative centre
- Redevelopment of the land to the west of the Galeri with scope to develop two cluster buildings 3 storeys high with open fronted visualisation on the ground floor for creative businesses with more standard office provision for the remainder
- Provision also for retail and food
- Open creative interface facilities with workshop 'boxes' integrated to the current public parking
- The public car-park remodelled with more contemporary design cladding consistent with the wider development of the Dock
- Direct physical and visual link to the S4C frontage.

In total the development should open up over 10,000m² of space for mixed use purposes that will be consistent with the development of a creative centre within this part of the town whilst also being sympathetic to the wider heritage requirements (ie Castle / town wall etc) and linked to the high quality development at Cei Llechi. This space will therefore facilitate the long term vision for the town where S4C's relocation will be considered a key catalyst. A significant portion of the development involves public realm works and is therefore designed as an early enabler for the wider proposals for the site. The vision and development therein has a timeframe running up to 2036 although it is envisaged that both the development and projected impacts should be realisable much sooner than this forecast period.

Longer Term Impacts

Gwynedd Council and its partners have a much broader vision for this development in Doc Fictoria– one that will be developed regardless whether S4C relocates to the area or not – although in essence should be party to such proposals. The establishment of the C6 network is the prima facie evidence of this intention. The purpose of the C6 network will be to support, lobby and facilitate the development of the creative sector within a North Wales context. It is supported by a powerful mix of both public and private organisations closely linked to the industry including the University, Coleg Grwp Llandrillo, Cwmni Da, BBC, etc. With the development of this network then the creative industry and this hub is a pipeline proposal that could also attract FE/HE presence as well as other broadcasting facilities linked to external opportunities such those with Ireland and Manchester (ie Media City Salford Quays). **However, the importance of attracting S4C to the site is not to be underestimated and is assumed to provide a major catalyst both to the town and the wider North Wales region.** Given the proposed development then table 4 below provides an approximate allocation of space / activity schedule for the extended creative centre site:

Table 4: Long Term Land Use Estimates – Doc Fictoria

Activity	**Area sqm**
Ground Floor Retail	700
Cafe	300
Creative workshops / Car Park Boxes	896
Creative/office work space	6290
Circulation/storage wc's etc	1650
Shared meeting space	300
Total	10 136

In total, the development to the west side of the dock area will provide workable space extending to over 10,000m². The mixed use strategy will be complementary with both the development of the town itself and the more general attributes of a creative (media) centre incorporating significant creative office and workshop spaces as well as retail and cafe / restaurant facilities. This would be consistent with but also extending the current provision for the S4C HQ in Cardiff and critically focused on creativity (ie it is expected that every aspect of the development will be attracting creative businesses / activity – not the standard fare). This development will take time to deliver though should reach its maximum impact over the project development period up to 2036.

The conversion of this development space into potential employment space is itemised in table 5 below in terms of the mix of sectors expected and the employment densities associated with these activities which provides a gross yield for job numbers of 540 jobs on the site itself.

Table 5 – Long Term Gross Employment Estimates – Doc Fictoria

Land Use	**GFA (sqm)**	**Employment Density**	**Gross Employment**
Restaurant / Cafe	300	22.5	13
Offices	6,290	15	419
Creative Industries Incubator / Serviced Office Space	896	12.5	72
Hospitality and Cultural Facilities	300	45	7
Retail	700	23.75	29
Circulation / storage / WCs etc	1650	0	0
Total	**10,136**		**540**

The gross job yields have been modelled in two parts:

- The local impact which includes Caernarfon town and the rest of Gwynedd
- The regional impact which is the aggregate impact at a North Wales level and which will attract different displacement and multiplier rates.

The assumptions underpinning the impact work is based on a combination of past impact assessments within Gwynedd (and therefore relevant multiplier rates etc) and outside (eg Ebrington, Barwood. TG4, Alba) and general government guidance (eg EP / Green Book HCA / OPDM Guidance) on ex ante impact assessments.

The key assumptions here are that:

- Deadweight for the jobs created is assumed to be zero (or put another way the additionality in this respect is '1' as detailed in the table below). The argument supporting this assessment is that the jobs would not materialise in this area in the absence of this development
- Displacement and multiplier rates are variable according to the sector and geographical designation – the displacement / multiplier rates are those applied by EG guidance and past reports in this sector. By definition , displacement and multiplier rates increase with the size of the geographical area under consideration and the specific sector to which it applies
- Leakage is calibrated according to the projected short term modelling results (which are based on pre-existing TTW[6] patterns for people working in the Council).

The results of these calculations are provided below in Table 6:

Table 6 – Longer Term Local Net Impacts – Doc Victoria

Local Impact – longer term wider develop	Gross Empl	Deadweight	Displacement	Multiplier	Lleol / Local	Gwynedd	Total / Cyfanswm
Restaurant / Cafe	13	1	0.5	1.15	5	2	7
Offices	419	1	0.75	1.15	236	89	325
Creative Industries Incubator /	72	1	0.85	1.15	46	17	63
Hospitality and Cultural Facilities	7	1	0.85	1.15	4	2	6
Retail	29	1	0.5	1.15	11	4	15
Circulation / storage / WCs etc	0	1	1	1.15	0	0	0
Total	540				302	114	416

The impact of the long term development at Doc Fictoria is expected to create near 420 estimated net additional jobs locally with nearly ¾rs of the jobs linked to local (Caernarfon) residents. The remaining 27% being linked to people living in Gwynedd. An increase of 416 jobs on the current estimated base of 1500 within the creative sector would suggest a 28% increase by 2036 at the Gwynedd level.

The impact regionally is shown below in table 7 and shows that the total number of net jobs created is expected to be just over 600 in total.

[6] Travel to work

Table 7 – Longer Term Regional Net Impacts – Doc Victoria

Regional Impact – longer term wider development					
	Gross empl	Deadweight	Displacement	Mult	Gogledd Cymru / North Wales
Restaurant / Cafe	13	1	0.3	1.3	5
Offices	419	1	0.75	1.5	472
Creative Industries Incubator /	72	1	0.85	1.7	104
Hospitality and Cultural Facilities	7	1	0.85	1.7	10
Retail	29	1	0.3	1.3	11
Circulation / storage / WCs etc	0	1	1	1	0
Total	540				602

Finally the GVA impact (based on the latest 2011 average GVA per head estimates for the creative sector in Gwynedd – which are in current prices) are detailed below:

	Local	Gwynedd	Region
GVA (£m)	8.27	3.11	16.49

It indicates that the total current value of the projected development for the local area is over £8¼m – amounting to a 20% increase in the current Gwynedd base estimate for the sector whilst the estimated current value for the rest of Gwynedd is £3.11m. The total GVA impact for Gwynedd overall is therefore near £11.4m pa in current prices which is near a 30% increase on the current base. The total impact for North Wales as a whole is an additional £16.5m pa in GVA.

Put simply therefore this development alone could increase the creative base (ie employment and GVA) in Gwynedd by near 30% by 2036. Added to this – but not calculated for the purposes here – would be the (non-local) visitor impacts ensuing from the branding and development of a high quality creative quarter within the heartland of a Welsh speaking community which could also be substantial[7].

[7] For example, if the visitor levels were leveraged at the same rate as employment then this would suggest a further £2.7m increase in GVA or £8m of net additional expenditure.

Conclusion

The proposals for relocating a significant portion of the S4C headquarters to Caernarfon is a major opportunity for both parties: it is clearly important for Caernarfon to re-establish its credentials as a creative hub within a Wales context as well as the more general positive and indeed substantial economic, social and community impacts it will have on the town and more generally in the region; as for S4C then it offers the company a fantastic opportunity to engage with a community which is within the Welsh speaking heartland of Wales and be part of an exciting creative industry development hub in the most wonderful of settings at Fictoria Doc. The impact of the relocation by S4C will be substantial on a town which is challenged – despite its obvious attractiveness and appeal.

The total short term increase in net additional GVA of the investment in Caernarfon would be approaching £2m pa with almost 50 net additional jobs and a further 18 jobs supported through visitor impacts. The longer term and arguably more important value of the investment is that it would act as a key catalyst for a major development at Doc Fictoria which could open opportunities for a further estimated 300 net additional jobs and contribute over £8¼m of net additional GVA in the town within the creative sector over the next 20 years or so. Alongside these quantitative impacts the investment would have a material impact in terms of:

- Re-establishing Caernarfon as a creative centre for the media and wider sector and in effect would go a very long way towards (indeed beyond) repairing the damage that was done following the closure of Barcud and the consolidation since in the industry
- Fulfilling the significant expectation and recognition that the town of Caernarfon really needs (if not, deserves) this sort of investment
- The effect on local **CONFIDENCE more generally** – this would immediately raise local and wider confidence in the town as a place to invest and do business
- Its direct and immediate impact on aspirations of young people locally with the prospect of enhancing training and education within the sector locally and wider afield
- The potential business / digital linkages between Dublin, Manchester / Media City and Caernarfon / Bangor offers a major opportunity for production and related companies to locate in Doc Fictoria whilst sourcing new opportunities and markets through this triangulation of creative centres
- Its support and promotion of the language within this distinctively Welsh community – a clear natural environment for S4C to flourish.

In addition to which:

- Its wider impact at the Gwynedd level (ie including Caernarfon) in the short term with a total of 66 jobs within the creative sector adding 4.4% to the current estimated total base of employment in the sector plus a further 18 visitor jobs supported ; and an increase of 6.5% (ie £2.6m) towards total GVA in the sector locally (including visitor impacts)
- Its longer term impacts at the Gwynedd level (ie including Caernarfon) of near 420 net additional jobs and near £11.5m of net additional GVA.

The regional significance of the S4C relocation is also clearly substantial in terms of:

- A £3m increase in net additional GVA for the North Wales region and 73 net additional jobs to the area in the short term with a further 18 jobs supported through visitor impacts locally

- A £16.5m increase in net additional GVA pa in the North Wales region and over 600 jobs to the area in the medium to long term plus the potential to induce a significant increase in visitor numbers
- A total regional impact (short and long term) of c. £20m pa in net additional GVA (current prices) and approaching 700 net additional jobs[8] over the forecast period of development.

It follows that the proposal to relocate to Caernarfon offers S4C an option which is second to none taking account of its holistic impact on the area combined with S4C's return on its ambitions with regards to the purpose and vision underpinning the relocation.

[8] Where this assumes a very modest increase in visitor employment generated from the development.

Appendix 1 – The Creative Industry in Wales

Computer games: The Welsh computer games sector is particularly small (thought to be approximately five companies). Access to finance is always an issue for all creative sub-sectors but particularly for games development. International competition is a particular issue when it comes to the UK's cost competitiveness. Other countries (e.g. Canada and France) enjoy games development tax credits, which to some extent help create a talent drain from the UK. This compounds the problem that games developers have in finding skilled graduates with both maths and creative backgrounds. Companies are increasingly sourcing new entrants from abroad (cf Hope/Livingstone Review[5]). One encouraging development in increasing the use of micro-payments payable direct to developers as well as other opportunities to monetise online content.

Fashion & Textiles: This industry operates along lines very similar to other small craft sectors that create products for a consumer market. However, the issues around skills development are focussed mainly on two issues: production skills and access to international market capabilities. The industry in Wales has one or two larger businesses and many smaller entrepreneurs but as a whole, the sector faces similar challenges regardless of size. Primary among these are training design and production staff and the general opinion is that such talent is best trained in situ, on the job. The challenge of accessing international (and UK) markets is mostly dealt with through a network of agents and attendance at occasional international trade fairs.

Film: The domestic film industry in Wales is still nascent. There is natural crossover between the disciplines of film & TV but this has only happened to a limited extent in Wales. In terms of inward-investment productions, crews are heavily staffed with London-based below-the-line employees. Welsh crew typically take up more junior positions. This means that local crews are short on some grades: HD camera operators, set builders, production accountants, location managers and high-level craft grades HODs in creative departments.

Photo-Imaging: Photo-imaging (the digital manipulation of photographs) could be a crucial sector for developing next-generation talent and ideas for the wider creative industries in Wales. Many of those studying photo-Imaging at colleges or art school are unsure how to progress from formal education to being practitioners. Wales needs to build bridges between photo-imaging and other relevant sub-sectors such as film, television and the wider visual arts to maximise talent development arising from within this sector. There is also a need for those operating at the less commercial end of the spectrum to develop skills to attract public funding (grant application, articulating social impacts, etc).

Publishing: Book publishers in Wales need employees to have a range of skills including copy editing, design, managing budgets and, most pressingly, understanding the international rights market. E-publishing is also a pressing issue as the pace of change is accelerating. Main issues here include knowing how to get books to market - selling and marketing eBooks is a completely different business model at a time when traditional publishers are increasingly being disintermediated from e-publishing.

Newspaper journalism is contracting, resulting in a wave of redundancies and the need to re-skill an older workforce. More and more freelancers are coming onto the market. The skills shortages here are helping freelancers develop social media skills to promote themselves plus website building/writing for the web.

Radio: The commercial sector is undergoing heavy consolidation. This is resulting in national brands delivering local output, often in timed "slots" (i.e. breakfast show, "drive time"), as opposed to individual local stations. Both BBC Wales and BBC Cymru are having their budgets cut and reconsidering their purpose as part of wider national BBC budget cuts. In response to these changes, the voluntary sector may provide more local coverage. As for skills shortages, radio editors increasingly need to act as "brand managers" for all of a station or programme's output. They need to be more consumer-facing and have a wider range of skills in addition to having editorial control.

Television (broadcaster): Broadcast television in Wales is undergoing major changes. On top of recently-announced BBC budget cuts nationwide, the recent DCMS handover of S4C funding to the BBC means its budget is also being reduced. [6] On the other hand, Cardiff Drama Village is driving a need for skilled craft and crew in many areas and departments. In particular, HODs with leadership skills are needed as are employees with finance skills and monetising IP rights. There is undersupply in certain crafts grades and skills (art depts., riggers, scaffolders, 1st ADs, lighting technicians, focus pullers, production coordinators, stunt skills, and computer graphics creative talent (CGI). Recruitment to broadcast engineering has also been a problem.

Television (live news): Delivery of news coverage is no longer the exclusive realm of broadcasters with capital for expensive equipment. This is potentially a game changer for the sub-sector but not one that has as yet tipped the balance of power. At a UK level, culture secretary Jeremy Hunt is promoting a £120 million local television agenda that should result in increased opportunities for local news delivery. Wales is well placed to capitalise on this: The nation has strong journalism courses that set the standard across the UK. In addition, Welsh broadcasters deliver strong in-house training. However, there is arguably a lack of diversity for candidates seeking employment.

Television (indie sector): UK television exports are currently 2nd in the world television market but Wales is not capitalising on this remarkable trend. Opportunities are emerging for new forms of financing given relaxation of product placement regulation. On top of general skills shortages mentioned above (internationalisation and entrepreneurship, business skills, legal affairs), indie producers also need employees skilled in multi-platform monetisation. This is because commissioning editors increasingly want 360° commissions. Indie producers also fear that Cardiff Drama Village is draining talent towards its pull.

Source : Creative Skill Set Cymru - Immediate skills needs of the Creative Industries in West Wales, the Valleys, and North West Wales (March 2012)