



**STANDING COMMITTEE
OF
TYNWALD COURT
OFFICIAL REPORT**

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**PROCEEDINGS
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PUBLIC ACCOUNTS COMMITTEE

MEDIA DEVELOPMENT FUND

HANSARD

Douglas, Friday, 27th September 2019

PP2019/0128

PAC-MDF, No. 1/19

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Members Present:

Chairman: Mrs C L Barber MHK
Mrs C A Corlett MHK
Mrs K A Lord-Brennan MLC

Clerk:

Mrs J Corkish

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Standing Committee of Tynwald on Public Accounts

Media Development Fund

*The Committee sat in public at 11 a.m.
in the Legislative Council Chamber,
Legislative Buildings, Douglas*

[MRS BARBER *in the Chair*]

Procedural

The Chairman (Mrs Barber): Good morning and welcome to this meeting of the Public Accounts Committee. I am Clare Barber MHK and I am chairing the Committee for this inquiry. With me are Mrs Ann Corlett MHK and Mrs Kate Lord-Brennan MLC.

If we could all ensure our mobile phones are on silent, or off, so we do not have any interruptions, that would be most helpful. And for the purposes of *Hansard*, I will be ensuring that we do not have two people speaking at any one time.

EVIDENCE OF Mrs K J Beecroft MHK

Q1. The Chairman: This is the first public evidence session in the Public Accounts Committee inquiry into the Media Development Fund (MDF).

Mrs Beecroft, welcome. We have invited you to meet with us today because you tabled the motion in Tynwald which led to this inquiry and you have also written to us in response to a public call for evidence.

As you know, Tynwald resolved to refer the events that caused the losses of over £26 million from the Media Development Fund to the PAC to identify whether further investigation is needed further to the previous PAC report and to consider whether there are any changes to governance procedures required as a result of this situation. This period covers the decision to use to CinemaNX, through to the switch to Pinewood Film Advisors in 2012 with the associated investment in Pinewood shares, to the present day. PAC were satisfied that further investigation was needed into governance procedures and we were elected as alternate Members to the PAC for this inquiry owing to conflicts of other Members.

By way of an opening statement, we would first like to invite you to set out the concerns that led to your motion, Mrs Beecroft.

Mrs Beecroft: Thank you. Firstly, may I take this opportunity to thank the Committee for accepting my written evidence and for giving me the opportunity to give verbal evidence today.

Government is, by its very nature, a complicated, complex and convoluted affair. The Government of the Isle of Man is defined by laws, regulations and parliamentary obligations to give it structure, definition and power to act. The parliament, being elected representatives of the people – the electorate who earn and pay directly and indirectly for all things that

30 Government does in its name – is expected and has a duty to hold the Government to account
for what it does with public money. It is critical, as we have seen proven recently in the UK, that
parliament retains and exerts, when needed, its supremacy over Government. Easily said, but
not so easily done, especially when the majority of the elected parliamentarians are also the
same people who are running the Government.

35 Speaking truth to power, historically speaking, is something of a calculated risk. Sometimes
power demonstrates a very limited capacity to listen to truth. Sometimes power retaliates with
a demonstration of its power for the purpose of silencing the truth. In this particular case, the
Government of the Isle of Man in its former Council of Ministers bound up the defence of the
funding of the Media Development Fund with appeals to the emotions but with a very careful
downplaying of hard financial facts. No matter what the spin put on the reasons for funding film
40 projects has been and no matter how determined the obfuscations employed, the facts are
there to be found.

There are some in the House of Keys who have already decided that investigating the events
that have caused the losses of over £26 million from the Media Development Fund is throwing
good money after bad. It is interesting to note, firstly, that there is an admittance that the losses
45 are definable as bad money. ‘All governments waste money’ – that is the other of the excuses
proffered; ‘it is the way things have always been done’; ‘people make mistakes’; and ‘it is
necessary to speculate to accumulate’. ‘Films are notable for their high risk’ is another well-used
opening remark, especially when the next sentence contains the amount of money that has
been lost. What this Committee has to consider in detail, I submit, is more than why did the
50 Media Fund lose such a large amount of money, but what is it in the system of government that
appears to be so deficient that it makes it difficult, if not impossible, to apply any checks on the
expenditure before yet another example is added to the list of projects that have caused the
expenditure and loss of multimillions of pounds of taxpayers’ money with little or no benefit to
them.

55 Of course it is not easy to face the difficulties that must be faced to make changes that are
effective, changes that are urgent, changes that if not made will be the catalyst of next
opportunities for yet another Public Accounts Committee or select committee to sift through the
wreckage of yet another project that has cost millions of pounds of taxpayers’ money. Change
must happen when change is necessary for public good. It is trite to say that lessons have been
60 learned when they demonstrably have not, when the evidence is of constant repetition of the
same costly mistakes being made over and over again. The pockets of the taxpayer are not so
deep in the Isle of Man that they can afford to have them emptied on projects that should have
been given proper scrutiny by the parliament before being started. The Media Development
Fund is the present challenge to parliamentarians of the Isle of Man to show to the taxpayer
65 that, no matter what the truth or how difficult the facts, the truth will be spoken to power and
that truth will finally make a significant change to the way public money is spent by the
Government that it elects.

By now the Committee will be aware just how highly complicated the whole issue that they
are now investigating is, and I trust that when giving evidence today the Committee will allow
70 me to add further written evidence or oral evidence should I find later that I have made a
mistake, not elaborated on a point sufficiently for them or have omitted something entirely.

May I close my statement by finally adding that if the Committee has not already done so, I
respectfully suggest that they give consideration to finding a forensic accountant with the
relevant expertise to assist them in their fact finding and the interpretation of those facts. It may
75 well be that assistance will need to be sought from off Island given the statements by the
Council of Ministers – but I will come to that later, if I may. There is no doubt that the work of
the Committee in getting to the truth of this matter will be difficult enough and will be made
even more difficult without the appropriate assistance, which I am sure no right-minded person
would grudge them.

80 Thank you.

The Chairman: Thank you very much, and of course we would be more than happy to receive further evidence as you become aware, if there are omissions and so on – absolutely we would be delighted for you to forward them through the Clerk.

85 **Mrs Beecroft:** Thank you very much.

Q2. The Chairman: We have some other questions. We will try and avoid repetition, but equally, if you have got something where you think ‘I should have said that before’, do feel free to bring that in. We will try and do it in some order of a timeline.

90 It was stated in answer to a Tynwald Question in 2012 that the only taxpayer funded investment in film was the original £500,000 in the first film, *The Brylcreem Boys*; later investment was generated from within the industry. We wondered if you could give your understanding of that.

95 **Mrs Beecroft:** I think it is quite a preposterous claim to make, to be honest. It is like saying, ‘We have got all this money, we are going to put it in the bank, but actually the interest on that is not the taxpayer’s; it is money that was generated from within, from the original funds.’

I am sorry, but any money generated by any investment by Government has to belong to the public funds, to the public, to every member of the public – not just taxpayers, but everybody. I think it is quite a preposterous statement to make.

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Q3. The Chairman: Okay, thank you. I think that was reiterated on a number of occasions. Can you comment if that was ever in presentations that you may have attended – that that was the narrative given around the Media Development Fund?

105 **Mrs Beecroft:** I am sure it was, because I remember hearing it many times and questioning the validity of the statement.

Q4. The Chairman: The proposal for the Media Development Fund to be managed by an external service provider was approved by Tynwald as part of the 2007-08 Budget, and we wonder if you could comment on the relationship between that external service provider and the fund money and the public purse.

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Mrs Beecroft: That is a bit of a complicated one all in one go.

115 Yes, it was. The Treasury Minister’s speech for the 2007 Budget referred to having to find I think it was a new mechanism or some such for the Media Development Fund because of the changes in the VAT regulations.

It was also referred to in the Pink Book. I have the excerpts here with me on that if you would like me to find them and quote from them. I think we might have to rely on my memory. I have had so much printed off, because there is so much at home that I have not submitted. Here we are, the excerpt from the Pink Book:

120

The Media Development Fund continues to provide resources for investment in film projects, bringing positive media coverage, employment and income for local business, especially hotels. The Fund was created with a one off £25 million transfer in 2002, supplemented by a contribution from the Department of Trade and Industry until 2005-06. The Media Development Fund also receives a sum of up to 60% of the identified benefits arising from the investments, such figure agreed annually by Treasury.

From 2007-08 no further transfer of benefits will be made into the Fund, and instead it is planned that the balance will be placed with external managers to invest in film production, subject to Treasury approval over individual investments. This will allow a wider range of projects to be considered. Treasury will retain its position in recouping its return on each investment and share in the profits of the investment management company as well as being able to rely on a wider range of experienced professionals in providing advice over suitable investments. The estimated balance of the Fund at 31 March 2007 is £49.6 million.

That was the only information that I am aware of that Tynwald Members had access to before £50 million was transferred to the balance sheet of CinemaNX in August 2017.

125 Interestingly enough, CinemaNX was formed in February. For some reason that we cannot discover, it never went out to tender, for expressions of interest, for anything, asking anybody what would they do with the £50 million or giving a particular scope of what Government was looking for. So it did not follow the normal process. In addition, Treasury signed itself an FD8 waiver allowing Treasury not to follow the normal procedures. There was never a Tynwald debate on this.

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Q5. The Chairman: There are a few questions, if I could pick up on them, in that. One of them is around the tender process for the external service provider, bearing in mind obviously there is a benefit to be had from that. So your understanding is there was no tender process for the provider?

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Mrs Beecroft: No, there was not and when Mrs Craine was Treasury Minister, in the evidence to I think it was the PAC Committee in 2010, she said that the Media Development Fund was being treated differently to the other funds because it was a different animal. But it has been referred to at various times, the relationship, as investment managers, as fund managers, etc.

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Whichever one of those is finally decided on legally to be the situation, I would say that if the regulations had not come in by the time that agreement was signed with CinemaNX, they certainly did during the five years when it held the contract, when they had to be licensed because it was a regulated activity. Whichever of the definitions you choose to have as the legal relationship between Government or Treasury, whichever is the most appropriate terminology, 145 then they should have been licensed. It was a regulated activity.

145

Q6. The Chairman: Another thing you picked up on was the amount of detail that is available to Members within the Pink Book. Obviously when we are making Budget decisions it has been a widely debated topic around the ability to say no to one small item – or ‘small’ in the context of 150 the overall Budget, I should say – unless they are capital schemes. Is that something that you would like to see a change to? And if so, how would you envisage the process being in the future?

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Mrs Beecroft: Well, I absolutely do think we should be given more information, and I think 155 where there is not sufficient information or where there is not time to consider properly all the information, that section of the Budget should be put to one side so it can be debated and agreed, or not, at a future date when it is agreed that further information is needed and time has been given properly to understand and to go through the information.

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Q7. The Chairman: And then just a final point on what you mentioned before. In the 2010 report that was done by the PAC, one of the recommendations was that Treasury should not be able to grant an FD8 waiver to itself. That was voted down as a recommendation, so that failed to carry, although there was a significant number of people in favour. I think 13 to 15 was the overall number, so it was relatively close. We have all sat in debates that can go that way, but do 165 you think that is something that needs revisiting?

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Mrs Beecroft: I think the rules on FD8 waivers have now changed. I am not sure that it could occur again today. I certainly think it is worth the Committee checking and getting an opinion as to whether the changes that have happened to the FD8 waiver are sufficient protection going 170 forward. Certainly I think the challenge would be was it legal in the first place for Treasury to do that.

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Q8. The Chairman: And do you see that as a lost opportunity in the 2010 report, that there was a chance there to change it at that juncture?

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Mrs Beecroft: No, the report can only make recommendations to the Council of Ministers and then it is debated. Sorry, the report is to Tynwald, but the Council of Ministers will obviously discuss and take a stance on the recommendations, and it almost flows, particularly in the previous administration before some of the numbers were changed, that most of the time they actually had a majority in Tynwald before anything happened and before anybody opened their mouth, which is hardly democratic and hardly a way of getting to a sensible decision over something as crucial as whether Treasury should be able to sign its own FD8 waiver.

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Q9. The Chairman: So it almost goes without saying that the majority held by virtue of collective responsibility –

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Mrs Beecroft: Collective responsibility and we found at one point – well, obviously if you are in a Department – some Ministers will hold you to collective responsibility within that Department. Some do not, so it depends on which Department and which Minister.

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But then, in one particular instance, and from memory I think it was over the tuition fees, Mr Henderson said he did not want to support the motion that was before Tynwald. It never got to Tynwald, it was withdrawn at that particular point in time, but because he had said that he wanted to vote against it, he was sacked from Treasury. It was an Education matter, so you would think that should not affect Treasury Members, but once something has gone through Treasury it holds Treasury Members.

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For instance, at that time, when Mr Shimmin was Minister for Economic Development he had five Members in his Department whom he tied to collective responsibility and there were also two Members in Treasury. So you had the Council of Ministers, the departmental Members and then the Treasury Members – because most motions have a financial impact, which means they have gone through Treasury. There was one where there were 17 Members in Tynwald tied to collective responsibility – 17 out of 32.

200

It is just crazy. You cannot have proper scrutiny and proper protection of taxpayers' funds where you have a situation like that, where it is impossible to challenge sensibly – and win, if you are in the right – a Minister. I know it has altered slightly, but the odds are still very much stacked in their favour.

205

The Chairman: Thank you.

Q10. Mrs Lord-Brennan: Going back to CinemaNX and the 2007 time period, the information that the Committee has is that the partnership was established in August 2007, so over the recess period. Subsequent to an indication of changes being made in the Budget, which you mentioned, in February, there was a presentation to Tynwald Members about CinemaNX in October 2007. Can you explain any further concerns that you had about the governance in relation to CinemaNX being identified and selected as the investment managers for the fund? I know you have mentioned already about the tender processes. I just wondered, at that time, after what we know as the 'Barrool Suite briefings', whether there were particular concerns raised or whether you felt that there was enough awareness over what was really happening with Members at that time.

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Mrs Beecroft: As far as the Barrool Suite briefing in 2007 I cannot comment because I was not an MHK at that point. I was not elected until 2011, so at that point I was still an outsider looking in. I came to a lot of the Tynwald sittings and Keys sittings and took an interest in it, but I cannot comment on the Tynwald briefing that Members received.

220

225 I was certainly concerned, from what was said in Tynwald, that it had not gone through the
normal process, where I think it is every three years or every five years Treasury asks for
expressions of interest to become the Treasury's fund managers and they are given a different
fund. There was nothing like that. I appreciate that it is different to the normal stocks and shares
etc., but there did not seem to be any governance surrounding it. There did not seem to be any
230 plans for the governance arrangements for this particular 'different animal', as it was referred
to, how they were going to manage that. I think it was just that Government decided that was
going to happen. It did not come to Tynwald; there was no debate on it. There did not seem to
be any governance arrangements, apart from having a Treasury officer on the board of
CinemaNX and he reported back to the Treasury Minister. There were not the normal
governance arrangements surrounding it.

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The Chairman: Mrs Corlett.

Q11. Mrs Corlett: I can see from what you are saying here that you believed there was not
240 enough governance around (a) the set-up and (b) the decision-making process. What do you feel
should have been in place at that time in order to provide that governance?

Mrs Beecroft: It is a very good question, and actually it is quite a lot. It should have been
subject to some sort of proper process before CinemaNX was appointed in the first place. As the
Public Accounts Committee has pointed out, they were not given any specific targets that they
245 had to achieve, which is ... Even though it is a different type of investment, you certainly want
investments to achieve a proper target.

There has been an awful lot of discussion about whether the local spend was even correct at
the time. The Public Accounts Committee felt that – or I think it was the Chief Internal Auditor. I
have it here somewhere. He felt it could have been overstated by as much as 60%, and yet it
250 seemed the figures that they were being given were just being accepted.

So where was the scrutiny in the original investments? You have one officer from Treasury on
the board who is reporting to the Treasury Minister, but where is the openness and the
transparency of actually what has happened, why this film was chosen and how many films were
255 considered?

The rationale for this particular one, I am trying to remember. In some document I saw, I
think we were meant to be exposed to a maximum of about 25% of the budget for a film and
other funding would be sourced from elsewhere. There are an awful lot of those films which
certainly have 100% or close to 100% investment. Why was that? What was the rationale for
thinking that this particular film was such a good deal that it was worth 100% investment? I am
260 thinking particularly of *Me and Orson Welles*. I think that was over £11 million, the budget. From
memory, I think that is one of the ones that was 100% investment. Why was that film picked? It
certainly did not make any money, so whoever recommended that it was such a good deal that
it was worth putting 100% in and not having any other investors, could they ...? Where is the
documentation that shows that they tried to get other investors? Why were we being exposed
265 to 100% of the losses?

There is loads of that in here. I think you might be getting an expansion on that!

Q12. Mrs Corlett: Is the answer to that something around the marketing of that film
270 afterwards, when it was released?

Mrs Beecroft: I think it is what happens first that is actually where you need to begin. Why
was it decided in the first place to have that film? Where is the paperwork? Where is the
agreement from Treasury that that was the budget for that film?

We know the amount of money was spent, but we do not know what Treasury agreed to.
275 And certainly one of the films, which I cannot remember the name of off the top of my head,

280 that we saw the document for, was over what had been agreed by Treasury, the document that Treasury agreed. So, was there another document where Treasury said, ‘Yes, you can go over budget by this amount’? Or did they just do it? We do not know. There is just so much that you do not know because the paperwork is not available. Similar to the accounts of CinemaNX, the only set of accounts that has ever been available, and only then because it was part of the evidence of the Public Accounts Committee in 2010, and that was their accounts for the year ended 2008 – or the period ended 2008. It was their first period of trading.

285 **Q13. Mrs Lord-Brennan:** Have there been, since your time in Tynwald, any other investment funds that you have had similar concerns over? Or do you see what has happened with the Media Development Fund very much standing out as being something quite different to how it has been handled in terms of governance?

290 **Mrs Beecroft:** Yes, quite different as far as funds are concerned. Obviously I would not say that I agreed with all the investments that Government make, but certainly as far as the funds I think the Media Development Fund has been handled very differently – and I do not think to the benefit of the people of the Isle of Man; otherwise we would not have lost so much money.

295 **Q14. Mrs Lord-Brennan:** Were there any opportunities, as far as you are aware, for Members to meet with the individuals involved in CinemaNX, considering the significant role that they had in managing those funds? How many times did you meet with Steve Christian? Were you aware that other Members had the chance to meet during that time?

300 **Mrs Beecroft:** I was not a Member until September 2011, by which time obviously the money had been with CinemaNX for quite a number of years and it was being proposed ... Well, the forward thinking I think at that time was that it went to Pinewood. So I would never have had a chance to meet with anybody prior to being elected in September 2011. I did meet with him afterwards, in the run up to the transfer of responsibility for advice being passed to Pinewood Shepperton.

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Q15. Mrs Lord-Brennan: What did you learn from that meeting?

310 **Mrs Beecroft:** The meeting was with me and Mr Karran. I was against the Media Development Fund being transferred to Pinewood. I did not have as much concern about the investment in the shares – and they were two separate legal matters, which was confirmed by the Attorney General. Even though Government tried to roll them all up into one and were saying this, that and the other, they were two separate legal matters.

315 We met sometime in June 2012. Peter and I met with Mr Christian. He actually requested the meeting to try to explain what the position was and supporting was the correct thing to do. Unfortunately, he came into the meeting quite ... I would not say aggressive but very forceful, somewhere between the two. I did have to remind him that actually he had asked for the meeting and if continued in that manner then I was leaving. We had a bit more of an amicable conversation after that. He took a piece of A4 paper and he explained how things had worked, why it could no longer work and why it was being recommended it go to Pinewood. I was not
320 allowed to keep that piece of paper with his illustrations of how it worked. I certainly was not convinced that it was a satisfactory way for Government to behave; and if I am being frank, it made me doubt the transfer of the Media Development Fund to Pinewood even more.

325 **Q16. Mrs Lord-Brennan:** I think there were Questions in the House of Keys on the purchase of the shares. What assurances were given to Members at that time so that they could get some level of comfort, or not, particularly to do with the financing of the transactions from the Media Development Fund?

Mrs Beecroft: I am sorry, could you repeat that?

330 **Mrs Lord-Brennan:** What comfort was given to Questions that were put in the House of Keys around the purchase of the shares and the transactions being financed from the Media Development Fund? Did you feel satisfied with the response you were given when that was pressed for in the Keys?

335 **Mrs Beecroft:** To be honest, I did not have much comfort from any of the responses I received on either of them. The shares I was more comfortable with than the transfer of the £25 million to Pinewood, because at least the shares were something concrete.
Are you wanting me really to comment on the shares or on the fund?

340 **Q17. Mrs Lord-Brennan:** Really on how comfortable you were with how the purchase of the shares was financed, whether it was really –

Mrs Beecroft: This is the shares by Government or by CinemaNX?

345 **Q18. Mrs Lord-Brennan:** That is the thing about there being finance from the proceeds of the Media Development Fund.

Mrs Beecroft: That would be when it was in the hands of CinemaNX, presumably, those Questions going back earlier.

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Mrs Lord-Brennan: Yes.

Mrs Beecroft: If I can just use the accounts of CinemaNX, and first of all this is the *Hansard* from 24th May 2011 regarding them. The then Treasury Minister was Mrs Craine:

In respect of the acquisition of its shareholding in Pinewood Shepperton PLC, I understand that these shares were purchased over the period between December 2008 and February 2009 at a range of prices quoted on the open market stock exchange during that period. I would like to make it clear to Hon. Members that this share acquisition was financed by CinemaNX through its own resources for strategic business purposes and was not financed from the Government's Media Development Fund

355 – which was obviously my concern, because looking at the accounts it did not appear that there was sufficient money, in the profits that CinemaNX was entitled to keep, to fund that purchase. Peter was asking Questions for me at that time. It was a significant number of shares, which obviously made me think they possibly did not have enough money. We have only got the balance sheet up to June 2008. As the Treasury Minister then said that they were purchased
360 between December 2008 and February 2009, there could have been money loaned to the company, by one of the shareholders or directors, that enabled the company to purchase it or whatever, but we could never really quite get to the bottom of it. But whatever, we had the assurance that it was not financed through the Government's Media Development Fund.

365 At the beginning there was an assurance given that CinemaNX was formed for the specific and sole purpose of investing, after the permissions had been given, some of that £50 million in different funds, so why was it buying Pinewood shares at that time, which is so long before an investment in Pinewood shares was made by the Government and so long before money was transferred to them to continue offering advice when the contract with CinemaNX expired?

370 But also it is classed as 'strategic business purposes' – it is what is said in *Hansard*. What were those strategic business purposes going back to December 2008 and February 2009? Also, I find it very curious that the only accounts we can get at are for the period ended 30th June 2008, so it was six or seven months after these accounts were produced that the investment, which is quite a serious investment for strategic business purposes, was made. The accounts were signed

375 by the board and by the auditors on 28th July 2009, which is well after these shares had been
purchased. Any auditor is going to ask for any significant post balance sheet events from the
directors of the company and is obviously then going to want evidence of those, and they are
included in the notes to the accounts as a post balance sheet event. Obviously not every minor
thing, but something that is strategic business purposes and which has involved a significant ...

380 The shares are certainly worth a significant amount of money, so why isn't it in the auditor's
report? Why did they purchase Pinewood? Why did CinemaNX purchase – or acquire, because
we do not quite know how they did it? Why would they do it at that time? And why would the
auditors not report on it? Were the auditors not told about it? We do not know because we
cannot see the subsequent accounts. We do not know if they made reference to it after that.

385 What we do know – and the Treasury Ministry at the time was quite specific – is between
December 2008 and February 2009, if you look at the trading of those shares between those two
dates, there was insufficient trading for CinemaNX to have bought them on the open market as
stated in *Hansard*. So who did they buy them off? Did they buy them off somebody? A
shareholder? Were they given to them? Is that why they were not on the balance sheet? There
are so many questions this opens up. And more curious is the fact that they were registered in
390 the same nominee company as ... You will forgive me, I cannot remember whether it was Peel or
one of its subsidiaries, but they used the same nominee company, so you can only infer that
they bought them off Peel or a Peel connection at that time. But how? Did they buy them
directly? How did they acquire them? Where was the money? Where was the transfer of the
money to buy them? Or were they a gift?

395 Those are serious questions that I really think we need to get to the ... Sorry, I am saying
'we' – I cannot be a 'we' anymore! Those are serious questions that I would have loved to have
been able to get to the bottom of, but you cannot.

400 **Q19. Mrs Lord-Brennan:** I think at the time there was also some concern as to the level of
shareholding that was being negotiated, and I think that changed.

Mrs Beecroft: But now we are going to 2012 – is it? – and the Government purchase.

405 **Q20. Mrs Lord-Brennan:** No, the Pinewood shares.

Mrs Beecroft: By Government, by CinemaNX?

Mrs Lord-Brennan: Yes.

410 **Mrs Beecroft:** It was reduced.

Q21. Mrs Lord-Brennan: That is right, and we can see that from some of the explanations in
Hansard. Would you like to tell us a little bit more about the concerns that you have had around
that time about that reduction, about how it was negotiated?

415 **Mrs Beecroft:** Well, I think if you have got an option to purchase shares it is up to you how
many you decide to purchase at the end of the day. I find it curious that Government had argued
very vociferously about what a good deal it was and then had decided to accept a lower amount.
I do not know if we ever got a satisfactory answer to that, as to their rationale as to why would
420 they accept – were they forced to accept? – because we never saw the paperwork.

Q22. The Chairman: Just covering a large period of the Media Development Fund, it has been
said through various *Hansard* Answers that the intention was only ever to break even, in terms
that it was not to look to make a profit, but it obviously appeared to be looking to stimulate
425 growth in the film industry because there was a lot of reference to bed night spend on the Island

etc. How do you think that the shares purchase ties in with the overall objectives and the statements that were made?

Mrs Beecroft: Again, are we going back to 2007 or 2012, or covering the whole period?

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Q23. The Chairman: The whole period, because I think the different iterations of the fund present different answers to the same questions in some cases, so I would be interested in your take on the two key periods with the share purchase.

Mrs Beecroft: Well, again, they kept talking about the local spend and the bed nights and everything else, but the local spend has never been substantiated.

If you will forgive me, I will see if I can find ... If I cannot find it quickly I will have to send it to you, but again it goes back to I think it was the Chief Internal Auditor and the PAC, where in 2000, the earlier of the PAC reports, there was considerable doubt, or it certainly could not be proved, that the local spend was correct.

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In 2007, the PAC then had the same concerns and, from memory, they asked the Chief Internal Auditor had any action been taken since the previous report pointing out the same thing, and he said no.

Then, coming up to 2012, again because local spend was being used in the Oxford Economics report, I said we could not really rely on those figures that were in the Oxford Economics report because the underlying figures were still dubious and possibly overstated by 60%. I asked if this was prior to the Tynwald briefing, I asked if anything had happened, had Internal Audit looked at this again or had the auditors looked at it, and they said no and it was not likely for the next two or three years, something like that.

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And yet at the Tynwald briefing when I raised the same thing I was told, 'Oh, that's been sorted now.' Well, okay, if it has been sorted now let's have the information, let's have the paperwork, let's see the rationale of how it was sorted and why the decision that actually it was all right has been made. There was nothing to substantiate that statement and, to the best of my knowledge, it was never in *Hansard* that it had been looked at and it was okay.

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So we still do not know to this day that the figures for local spend ... Were they overstated by the 60% that the PAC? Certainly the earlier one and the 2010 both suspected that they were overstated by 60%. We still do not know whether that was sorted or whether it was not, because I certainly saw no justification for that statement.

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Q24. The Chairman: Do you think there is a challenge generally with regard to using predicted bed nights and increased visitor numbers etc. as the measure for this sort of investment fund?

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Mrs Beecroft: I think the problem is that there were no specific targets for them ever given or how things were going to be measured. So it was very fluid. People could change their minds as time went on and circumstances changed, because there was nothing that said 'we are expecting this – okay, you might not do it but if you do not, we want to know why', or 'this is how this is going to be measured and we want you to increase that by 10%' or whatever 'and that is how we are going to see if you are performing well'. There was nothing in writing, and you as you have noted, in Tynwald, in *Hansard*, it often does change – as did the definition of the relationship.

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Q25. Mrs Lord-Brennan: Just on that change, with the purchase of the Pinewood shares presumably there would have been an expected change from local spend to a return on the shares that had been purchased. Have you got any comments or concerns about that, not obviously just as a difference and a change of strategy but about whether the Government was indeed getting the return from those shares?

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Mrs Beecroft: Now we are talking about when the Government purchased the Pinewood shares, as opposed to CinemaNX? We are talking about the 2012 transaction?

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Q26. Mrs Lord-Brennan: Well, I would actually say either, because ultimately the issue is about this all really coming, one way or another, from public money. I am not really concerned about which transaction.

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Mrs Beecroft: I think I have covered the concerns about the CinemaNX purchase of the Pinewood shares, so if we now look at the purchase by Government of the Pinewood shares and the sorts of things that were said at the time, that we would have ... I cannot remember if this was the shares or the Media Development Fund, so you will have to forgive me on that because they are two separate legal transactions, but there was talk –

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Q27. Mrs Lord-Brennan: I am interested in the Pinewood side and the –

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Mrs Beecroft: Yes, it is all Pinewood. The Media Development Fund went to Pinewood as fund advisers and the money went to Pinewood to purchase the shares. It was stated at the time it was sort of a hedge, but that is just nonsense because a hedge is when you do something outside of a deal so that if one fails you are covered by the other. I certainly did not agree with the definition of a hedge in this particular instance.

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The shares that were purchased by Government and/or the investment moneys that were now going to be advised by Pinewood ... We were told that for any film I think it was 25% of the filming should be done on the Island, preferably, and that we would have the opportunity of sending apprentices down to Pinewood to learn the post-production stuff and everything as well, so we would be gaining that way. I certainly do not recall anything like that happening. I certainly do not recall a report about 25% of the filming nights – not the budget or anything, but just the filming nights – happening in the Isle of Man for all those films, but again that is something that should be recorded in Treasury's documentation, how many film nights, did that agree.

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Q28. Mrs Lord-Brennan: And you do not recall anything about the Government receiving 20% of the profits?

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Mrs Beecroft: It did not make a profit. There was only one film that ever made a profit, as far as I am aware. We have been given lists of the moneys that Government has received, so I am assuming that that is the correct amount that we should have received, but how would you know without seeing the individual contracts, the individual submissions for those films and without seeing the original sign-off by Treasury saying that they were authorising and transferring the funds for those films in the first place?

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The Chairman: Okay, thank you.

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Mrs Beecroft: It does get a bit convoluted – sorry!

Q29. Mrs Corlett: According to a Tynwald Question in 2009, the DTI spent just under £57,000 that year, including hiring a yacht, in order to undertake promotional work at the Cannes Film Festival. How would you evaluate that investment?

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Mrs Beecroft: To be honest, I do not think I am qualified to evaluate that investment. I have some concerns about the hiring of the yacht because, again from memory, there was another party involved. I have asked for a copy of the invoices, but we have never been able to get that. But a report should have been done to Treasury as to what benefit that was.

530 **Q30. Mrs Corlett:** That was never done?

Mrs Beecroft: I am not expert enough to comment on whether it was value for money or not. The report would show that, I would have said, by the number of inquiries or the films that emanated from that or the contacts. I am afraid I would not ...

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Q31. Mrs Corlett: There was huge public discontent with that at the time, I think, wasn't there?

Mrs Beecroft: There was indeed, but I think more concerning to me ... I am not qualified to say whether it was a good return on money or not. It would not seem to me that it was, but that does not mean that that is the case. However, I do have concerns about the paperwork concerning it, and I think the Committee would be doing a service to the public if it could get all of the paperwork surrounding that incident.

545 **Q32. The Chairman:** In 2012 the proposal was to move £25 million from the Media Development Fund to be managed by Pinewood Shepperton and to use up the £24 million of investment reserves to buy the shares in Pinewood Shepperton. In your view, how did that change the risk profile relating to the investment?

550 **Mrs Beecroft:** Again, it needs to be split in two, and again I was fairly content – not 100% but fairly content; or more content, shall I say – with the purchase of the shares.

I think the risk for the Media Development Fund in one way was strengthened because it was actually kept in house until a film was agreed to be invested in, and then Treasury, acting on recommendations by the film advisers, would pass the money over, presumably at whatever point, to fund that particular film. The money was not put on the balance sheet, as it was in the case with CinemaNX, so there was that protection there.

555 However, when the proposal was brought to Tynwald for debate and for decision, Pinewood had never acted as an adviser or a fund manager or anything like that. It had been years, in fact, since they had made a film. They rented out studio space to various film producers but they had had nothing to do with making films for a long time.

560 Again, Treasury assured us that they did not need a licence, and that if they did it would not be a problem. I cannot remember exactly which: did they admit that they needed a licence? I cannot remember the exact happenings that led up to it, but I actually phoned the FSC and asked had an application form been submitted, had they given advice to Pinewood, and they said they do not give advice, it is up to the entity to submit and get a licence. I had serious concerns, not that the money was being passed over to Pinewood at the time of the Tynwald debate, but that we would look stupid. Why would you say yes, we agree to this, when they did not even have a licence to do the regulated activity that they were going to be carrying out?

570 In fact, I do have that with me. It only came under the auspices of the FSA on 23rd January 2013. They did not find it that easy to get a licence, which I suspect is possibly why Mr Christian went over to Pinewood. They set up Pinewood Film Advisors and then, with him in there, they were able to get the licence. But I think then it was being portrayed as continuity for the Isle of Man: 'We have still got this same person now, who has previously advised, who is going to be advising.' Well, look at the past record: we had not made any money.

575 We need to see the contract between Pinewood and the Government to see if they had any KPIs. What targets were they given, if any? I know there was a thing about succession planning that the PAC had concerns about because the whole thing seemed to revolve around one person. So on one hand it was being portrayed that this was resolving that issue of succession planning, but it was actually transferring the same person over, so that did not make sense, that did not stack up.

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585 So yes, on the one hand Treasury kept the money, but I do not think there was sufficient due diligence. I remember Mr Teare saying that he had taken responsibility for the due diligence and he did not like it at all when I pointed out to him that actually, to do the due diligence, under his own rules you have to have specific qualifications. He did not have them, so he should not have been carrying out the due diligence on it or taking responsibility for it, because he was not qualified to do so.

590 I wonder why Government would not employ somebody, just employ some sort of consultancy. I know people say, 'Oh, consultants!' but there are times when you need them, when something is so specialised and you need the qualification to say 'this is a good deal', 'these are the risks' – to balance it up: 'These are the pros, these are the cons: now you take the decision.' At least you know then that somebody with the qualifications to carry out the due diligence ... There was no investment appraisal. We did not see due diligence, we did not see an investment appraisal. There was nothing.

595 **Q33. The Chairman:** Do you believe that any appraisal that may have been perceived to be done was being done by the people who were at the forefront of everything that was being decided?

600 *Mrs Beecroft:* I am sorry, can you repeat that?

605 **Q34. The Chairman:** There was no independent appraisal but there was potentially internal reassurance from people who had been engaged with the Media Development Fund. I am just looking again at that separation, I suppose. As parliamentarians we are very much reliant upon receiving advice that is good and is honest. We take that in good faith – and we obviously can do our own research on that, but I am just trying to understand how the process you would think might be able to change for the better in terms of enabling more confidence in that advice.

610 *Mrs Beecroft:* Well, I think with a thing like this you should have all the appropriate documentation available to you. It should be appropriate, and if you think it is not you should be entitled to say 'we think this is not appropriate; this is what we need to give us satisfaction before we vote on something'. How can you, in all conscience, vote on something if you have not been given the paperwork that you have asked for? When that is not forthcoming, you cannot vote, and you say 'if you want my vote, you will have to give me the information to vote upon'.

615 I know that they said the Oxford Economics report was an independent report, but again that went back to 1995 – which is always the date they start from, which they should not. I asked and asked for all the finances and benefits and everything else to start from the day the money was passed to CinemaNX, when we entered that new phase. What had gone before was actually irrelevant because Government was in total control at that point. It is what happened after that that is the relevant thing and every report you see will go back to 1999. They did not want to split it. Why did they not want to split it, you have to ask. I think we can all guess the reason, but it would certainly have been nice to have a proper answer at the time. But again the Oxford Economics report went back to 1999. We were not asking about 1999; we wanted to know what happened from when CinemaNX took over, so that we knew what the score was before it went to Pinewood and why we should trust that. The Oxford Economics report relied on possibly overstated benefits and also I would suggest it is possible that the Oxford Economics report was not as independent as it was being portrayed to be, because ... and I cannot remember all the entities involved but there were four or five, of which Pinewood Shepperton was one, who had asked for a report from Oxford Economics.

630 **Q35. The Chairman:** You said before that you were more comfortable with the investment in the shares in the broader picture. I just wonder, to your mind, what the overall purpose was of

635 the shares. Was it very simply to provide a return on money, or was it to stimulate further growth, or to provide reassurance to the industry around the commitment to the Isle of Man Government? What is your perception on the initial decision to take that route?

640 **Mrs Beecroft:** My initial perception, and it is only that, is that it is possible that they were asked to buy those shares because – and again I cannot remember the information properly – at one point Pinewood was having to have more shares, not ... Can I start again? That was very rambling and rubbish!

The Chairman: We have had to a few times, so it is fine!

645 **Mrs Beecroft:** At one point, and I cannot remember when, Pinewood was having trouble staying as a listed company because it did not have enough shares owned by outside entities. I cannot remember the dates of all that; I know I have all the Pinewood information at home, but it is all on the web anyway. But there was concern that they did not have enough shares, so I do wonder whether, as part of the whole deal, the Government was actually asked to consider buying shares because that was *their* reason rather than it being *our* reason. Obviously, later on
650 Pinewood was delisted and went on to the AIM market anyway.

But then I am always suspicious until I see the proof of things. I like to know exactly why people do what, and I like the documentation to prove it, certainly before I would risk an awful lot of public money.

655 **Q36. The Chairman:** When CinemaNX managed the Media Development Fund the money was transferred to them with a requirement for Treasury approval and sign-off of expenditure. When the management switched to Pinewood, Treasury held the funds themselves, and in your mind was this an improvement to governance arrangements?

660 **Mrs Beecroft:** Yes, definitely an improvement. Again, it is obviously up to the Committee what they care to look at, but if you look at all the different films – and I have sent the organograms and the schedules of them all – the ones that stand out are the ones that Government has invested in, whether through CinemaNX or through Pinewood, where there is no charge, where there is no shareholding. What comfort has Government had that they would
665 allow an investment in a film where they do not have a charge registered on anything and where they do not own shares? Where is the comfort for investing that money? I think that some of the films stand out more than others as being out of the ordinary, where the shares are held by other individuals. I would assume normal company law would apply – because they were
670 ordinary English companies – in that the shareholders are entitled to the profits by way of dividend or by way of the increase in share value because the money has been left, but in either case Government does not seem to have had a legal method of getting what it is due.

Q37. The Chairman: So are you suggesting it is a slightly backwards version of *Dragons' Den*, where they give the money but without a percentage of the company?
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Mrs Beecroft: That is what it looks like on paper, but we cannot get all the documentation. There might be something, but then normally a charge is registered, as with some of them. So why do some of them have a registered charge and some do not? And why do some of them have outside people as shareholders, when there does not appear to be any comfort to
680 Government? Why would Government get involved in that? What was the rationale? Again, you would need to see the Treasury documentation to explain that.

Q38. The Chairman: So Pinewood Film Advisors contracted the advisory work to Gasworks Media, and again it is a broad question but what is your view around that arrangement?

685 **Mrs Beecroft:** Well, that was just obviously a way of passing money through, in my opinion. I cannot remember the exact figures, but I do recall that there was only something like £28,000 retained by Pinewood itself. It sort of washed through, it was given to Pinewood and then it came back, and it was about £1,000 a day that was being paid to Gasworks Media.

I think it is well worth inquiring. If we go back to CinemaNX's accounts, they actually show the amount that was being paid: remuneration of directors, £516,666; Gasworks Media, which is in addition to this, received £150,000; and Samuelson Productions received fees totalling £116,667. So, from CinemaNX's point of view, they should be declared in all the other accounts.

695 But then there is also, I would suggest, in the budgets for the film, what did all related parties get out of that that would not touch the accounts of either CinemaNX, Gasworks or necessarily Pinewood; though Pinewood do declare – and again they are easily accessible on the net – quite a lot of stuff because they have to in the UK, whereas CinemaNX did not have to even file its accounts. So it is very difficult to get the information because it is not in the public domain, but Pinewood's accounts do reveal quite a bit.

700 **Q39. Mrs Lord-Brennan:** Thinking about the structuring of the companies around specific films, given that the Government's position, either through the Media Development Fund or through investment in Pinewood, was essentially to have a situation where they were not directly involved in some of the decision making over the structuring, do you accept that actually the structuring of the films, from my look at how film structuring and financing happens, is quite
705 complex and much of the decision-making processes around what companies were used for different films and the set-up of those were probably not decisions that were taken by Government, and perhaps it was never intended that they would be, because essentially that is why you have the investment adviser and that is why you have the set-up with Pinewood where they would take care of those things?

710 **Mrs Beecroft:** I agree. As you said, it is quite complex and I certainly have not got my head around all of that side of it at all. I think it is quite right; it is just that the actual structure itself is ...

I am sure it would have been proposed to Government 'this is what we intend to do' and explained to them and justified to them. Again, in the proposal paper to Government, in the business case to Government, the comfort to Government should have been listed: 'This is the structure we are proposing to use, this is the budget that we want and this is the comfort that you will have, either through a charge or shareholding,' or a mixture of both, depending on the percentage that Government was investing.

720 But Government did have the final sign-off in both cases because even when the money had been transferred to CinemaNX and was shown on its balance sheet, they made recommendations to Treasury and the Treasury had to agree before they drew down the money. The only difference between that and Pinewood was that the money stayed in Treasury. So it was in a ring-fenced account in Treasury and they had to agree to what the investment was
725 and why before they transferred the money over to Pinewood to carry on and make that investment.

It is only that one extra step, but it is quite an important step because prior to that CinemaNX had all of the money and their own first period accounts show that they made over £2 million just in bank interest on the money. It does make you wonder whether we would have been
730 better just doing the same ourselves. We certainly would not have lost £26 million plus had we left the money in the bank for all those years.

Q40. Mrs Lord-Brennan: But effectively the Treasury sign-off was on the pitch for the individual films signing off on the basis of the level of their investment, but not necessarily signing off on the structuring or set-up around those films, which would have been decided
735 within the Pinewood or the MDF regime.

Mrs Beecroft: I do not know, because how are you going to question whether you have got sufficient comfort that your investment is being protected if you do not know what the structure is? You must either know the structure and approve that the structure itself is safe because shares are being held by whatever, or that you have got a charge on something. So, even if the details of the structure are not necessarily having to be approved, you would want to know what comfort you had before you passed the money over or before you authorised the money to be taken out of the account, depending which scenario you are talking about. You would not just look at a film and say, 'Yes, that all stacks up, that looks a good idea, we agree with you.' You would say, 'Where is the protection for the money that we are going to pass to you?' That could come from the structure or it could come from shareholding, or it could come from a mixture of both.

Q41. Mrs Corlett: Comparisons have been drawn with similar initiatives in Wales and Northern Ireland. The Isle of Man has been viewed as a less favourable location because its support offering was made by way of investment and not by subsidy. Do you have any thoughts on that?

Mrs Beecroft: Yes – it is just a question of gathering them before I start!
The lack of success by CinemaNX was partially blamed on the fact that it was not a level playing field, but then it was known it was not going to be when the decision was taken. So, if they knew it was not going to be a level playing field then something else had to be offered, and they did. There were incentives offered for film companies coming over here, I believe – certainly roads being closed easily for filming etc. was quite a draw at one time – but not enough to get round what other places were offering, and it was put that this was one of the reasons for it eventually going down to Pinewood, because they would be able to take advantage down there.

I think if you look at it more broadly, Northern Ireland certainly made quite a success of its film industry and it is very open. You can get hold of Northern Irish figures on film much more easily than you can Isle of Man figures on film. They have done very well. It would be interesting to know how many films were actually offered to the Isle of Man, were refused and were then offered on. *Game of Thrones* – is it possible that we were offered that? That is a huge thing. It would be heart breaking to think that we could have been offered something like that. There must be a list – and Treasury has access to all of CinemaNX's records – of what films were offered and refused and the reasons for refusal. I think to compare the difference between what was offered and refused and what was offered and accepted to be put forward to Treasury could be quite a revealing exercise.

But going back to the actual films themselves, Ireland has made a good success of it. Wales, on the other hand, got its fingers burnt. I found quite interesting – and this was published in June 2018 – 'The Welsh Government's relationship with Pinewood'. If you do not have it, I will send you the link. The summary report shows that the agreement with Pinewood was in February 2014:

The Welsh Government established a £30 million budget to invest in film and TV production, and appointed Pinewood Film Advisors (Wales) Ltd to identify projects suitable for investment ... The Media Investment Budget's performance did not meet the panel's expectations.

So they did have expectations of something, rather than just breaking even or maybe nothing.

Pinewood Studios Wales Ltd was unable to operate the studio as a going concern without the support of Pinewood Group Limited.

780 And:

In October 2017, the Welsh Government terminated its Lease and Collaboration Agreements with Pinewood, and Pinewood ceased to manage the Media Investment Budget.

So it did not really take them too long to realise that it was not working. It says:

By entering into this Collaboration Agreement, over five years, the Welsh Government expected to generate an estimated £90 million production spend in Wales, creating or safeguarding at least 1,950 full-time equivalent job years.

I wonder where they got that figure from. What were they basing that on? Certainly, later on, they remark:

Pinewood had already worked with the Isle of Man Government to introduce the Isle of Man Media Development Fund in 2012 ... Independent economic analysis of the Isle of Man's support for TV and film productions, concluded that it had generated a direct local spend of £100 million and 2,140 full-time equivalent jobs since ...

785 Guess the date: 1995.

But whose was this independent economic analysis? That would be interesting to know. I have not asked Wales, but I am sure they would share that information with us because if it was Oxford Economics then there is certainly doubt over the figures in that they would have provided them based on our figures, which possibly were based on incorrect information.

Members of the Panel decided in August 2016 that the Collaboration Agreement was unlikely to meet the Welsh Government's expectations for the performance of the investment budget.

790 So, they had expectations and it took them 18 months, from sign-up to that point, to realise they were not getting their return.

It goes on:

Welsh Government officials advised the Cabinet Secretary for Economy and Infrastructure in August 2016 of their concerns about the budget's performance. These concerns were:

- a greater number of higher-risk investments being put forward by Pinewood because productions could obtain lower-risk funding from other sources;

That is interesting, and that applies to both CinemaNX and Pinewood. Were we funding the higher-risk element?

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Q42. Mrs Corlett: Would you agree that actually it is a gamble, worryingly, (**Mrs Beecroft:** Absolutely.) and that investors are taking the higher risk in this in the hopes of a big film and a big success at the end of it, but actually it is a bit of a punt in the first place?

800 **Mrs Beecroft:** Very much so, some more so than others, which makes me wonder whether we were getting the higher-risk element, the same as the Welsh government was concerned that they were getting the higher-risk element. They had concerns, and reading that, I wonder should we have had concerns in that area as well.

805 But yes, it is always a high risk. If you look at the number of films produced and look at the number of films that actually produce anything directly in the way of profit, it is a small number. I know the Chief Minister denied it later on and kept saying he did not say it was high risk. It is recorded in *Hansard*: he did. So he knew it was high risk, obviously, when he set forth doing that.

810 So, that was one of the concerns that Wales had in 2016, 18 months after they started down this route:

- Pinewood's operating model meant it was reluctant to invest its own money in these higher-risk projects alongside the Welsh Government; and
- Pinewood might be conflicted in its involvement with the budget as it also had an interest (not prohibited under the Collaboration Agreement) in providing its own London-based services to the industry. Welsh

Government officials felt that a perception had arisen amongst other companies that Pinewood had an unfair competitive advantage in securing post-production work in Wales. They therefore considered that this had the potential to reduce the economic benefits to Wales.

815 And it goes on, but again my concern is the paragraph about us. I think a lot of the report – and from memory I think is about 48 pages ... There are echoes of the Isle of Man in this report, which is very thorough. It does concern me that the establishment of this deal in Wales could have been partly influenced by the fact that the Isle of Man Government had made similar investment and the fact that they could be relying on this independent economic analysis of our figures, which were questionable.

820 **Q43. Mrs Lord-Brennan:** The Committee understands that film financing is a complex business and that such complexity is standard in the film industry. As you have touched on, we also understand the investment in film is high risk. Assuming for the moment that we set aside whether there was an appropriate level of risk for Government, please can you set out what you think is appropriate in terms of what the governance structures should be in relation to Isle of Man Government investments?

825 **Mrs Beecroft:** I cannot give you a specific structure, but it has to be a structure that is open and transparent and that after a certain point there can be no confidentiality clauses. When something is going on, obviously you sometimes do need them at a point because otherwise you are giving information to competitors possibly, but there has to come a time when that is no longer relevant and the people whose money it actually is that you are investing – i.e. the people of the Isle of Man – have a right to see everything, to see whether they believe that the actions were justified or not.

830 Any system of government has to be accountable and it has to have KPIs, measurements by which it is agreed in advance that the success or failure of something is going to be measured. I am not saying that anybody ... and certainly I do not think anybody in Tynwald would be capable of understanding all the complexities of film finance. I am not suggesting that for a moment. But as I said, there should be something so that you can demonstrate that you have secured comfort from each investment in film, whether it is a charge or whether it is shares. Whatever it is, you have to be able to demonstrate that you have protected public funds not just to the best of your ability but that you have seriously protected them – even if you lose them, you have protected them, nobody else can get that money, you have taken precautions and you have protected them. It should be accountable and there should be measurements all the way along the line. And if alarm bells ring, there should be a break in that contract such that if any of these dates and specifics are missed we reserve the right to come back in and say no more, we are calling a halt.

845 **Q44. Mrs Lord-Brennan:** Over the time of the Isle of Man film industry, throughout CinemaNX and Pinewood, there was scrutiny in Tynwald, there was scrutiny in the House of Keys. Would you like to make any comment as to why efforts in that respect were not successful in securing a change of direction; perhaps why there was not further follow-up that secured a better outcome or indeed put a stop to things, despite efforts of scrutiny in both those places?

855 **Mrs Beecroft:** I think that is a question that would actually be better put to the previous two Treasury Ministers. Mr Bell was Treasury Minister during the contract with CinemaNX and then obviously went on to be Chief Minister but was very supportive of the Pinewood deal. Obviously Treasury would have brought the motion, because it was a financial motion. I think they would be best placed to answer as to why they would not give us the information that was requested.

860 **Q45. Mrs Lord-Brennan:** As we have mentioned, there have been other PAC reports and other inquiries into lots of matters related to all of this. What would you like to see as an outcome from this inquiry that would be different to the matters identified from previous investigations and reports on this?

865 **Mrs Beecroft:** I would like to see, as I think I said in my opening statement, the truth. I would like to see all the documentation that you collate being made public so that people can see the various documentation themselves. I would like to see, I suppose, a proper, truthful account of what has happened, what went wrong and, most importantly, why it went wrong, and recommendations made that hopefully Tynwald will support to prevent it ever happening again. As I said in my opening remarks, we see it happening time and time again: 'We have learnt the lesson, we have done this and we have done that.' Obviously it has not been good enough. I think a call for more openness and transparency where Government deals with other companies and entities has to be of primary importance going forward.

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875 My feeling is that if business wants money from Government which belongs to the public of the Isle of Man, except for very restricted circumstances in a very restricted timeframe, it should not be confidential. Government say then we would not get the deal. Well, fine, if we would not get the deal then we would not get the deal. They can go somewhere else. If they can go to a bank or something, then why are they coming to us wanting our money that we are holding in trust for the people of the Isle of Man?

880 **Q46. The Chairman:** That ties in with how you balance such a vital role of scrutiny with business confidence – if you have got any further comments on that?

885 **Mrs Beecroft:** I think that is something that would have to be discussed with business as well because they would have to be on board, or at least understanding of why Government is taking this approach, or a new approach if you were recommending such a thing. But there has to come a time when things are not confidential when the day is over, like some of these things that have had public money spent on them by CinemaNX – why is it still confidential; why can we still not get those documents? That should be written into any contract that Government has with people, that after a certain time period, if it is necessary – and it has to be justifiably necessary, not just used as a phrase – you have to be able to back up why you think it is necessary for a company to have confidentiality. There are circumstances when it is necessary, but there has to come a time when that is not necessary at the end of the day and those circumstances that created the necessity no longer apply.

895 **Q47. Mrs Lord-Brennan:** An argument that could be made for the confidentiality essentially relates to the fact that with all of this they are different from capital projects that we would see in Tynwald. It is perhaps also different from support that is given to businesses otherwise, because essentially these are speculative investments. Would you like to make any comment in respect of Government making such speculative investments?

900 Also, you were saying that given that might be accepted and there might be an appetite politically for that sometimes, you think there should be a cut-off point to reassess whether we need to not have confidentiality in place to protect commerciality or other interests. I would be interested in those two points: about the Government and speculative investments; and secondly, a cut-off point if there is a reason for having commercial confidentiality.

905 **Mrs Beecroft:** And again I think that goes back to what I was saying before, that where a company believes it should have commercial confidentiality and, for whatever reasons, Government agrees it is necessary, then that should be written into the contract. Again, they should agree at the outset that the rationale for agreeing that it was necessary no longer applies

910 after such a timeframe. Whatever Government does, it is accountable to the people and it should be able to account and justify why decisions are being made, and show why.

You do have to ask yourself whether it is Government's position to speculate. There has to be a point with speculation where the risk is too high to use public funds, and I think that is an area where there should be some sort of guidance on what parliamentarians and the people can expect, but what guidelines Government itself is working to. There are times when speculation is going to be a good thing and there are also times when it is definitely not, when anybody would say, 'This is too high risk, I would not put my own money in it so why am I allowing Government to put my money in it?' which is what happens with the very high-risk ones.

920 So, I think for speculative purposes Government should be given a guideline, if it is wanting and it feels justified ... Because you can never say never and you can never say something is beyond the realms of what would be acceptable, I think there should be guidelines about what is an acceptable amount of information for Tynwald Members. Again, in 2012 we got the strategy, we got the Oxford Economics report and we got a briefing of this obvious explanatory memorandum that had an £8 million error in it, and it is just not good enough. That is all we got, and the people who could not go to the Tynwald briefing in the Barrool Suite did not even get that.

Q48. Mrs Corlett: Because it has been stated that the only taxpayer-funded investment was the original £500,000 and that later investment was generated from within the industry itself – and there was a lot of money made in those first years – do you think that altered the mind-set when decision making was happening because it was only seen as the initial-event investment of £500,000 as the taxpayers' money and that everything else had been generated from within the industry itself, and therefore it was more acceptable to take risk with the profit rather than have to account for the original sum?

935 **Mrs Beecroft:** I think it was actually more than that. If you look back at Isle of Man Film accounts, they started off by receiving money on a film-for-film basis, if my memory is right, but then it was decided that a certain amount every year was going to be put into the Film Fund. My memory is a little bit vague on the Isle of Man Film Fund side of it because I did not concentrate too much on that, but I do think there was more than £500,000 put into the fund.

940 **Q49. Mrs Corlett:** A Tynwald answer to a question in 2012 was that the £500,000 initially put in was 'the only direct contribution that has come from the Manx taxpayer in all that time, in 17 years'.

945 **Mrs Beecroft:** I think that figure needs checking because my memory ... and it could be wrong because I did not pay that much attention to it prior to it going to CinemaNX, but I know they changed it from investing in each particular film to putting money in on an annual basis. So I cannot see it would have been only that amount. It could be worth actually checking the original records to see if there is a nought that has been missed off, or something.

950 **Q50. Mrs Corlett:** Part of that answer is:

The rest of the money has been generated from within the industry and recycled as a result of it.

955 **Mrs Beecroft:** But even so, I come back to my analogy that if you put the money in the bank, you get bank interest. Does that mean that the money that you earn as bank interest is not counted anymore? Otherwise, where do we get our money from? Where does Government get its money from to spend money on behalf of the taxpayer, if not from ...? It has got a lot of investments. It talks about what it is going to do with the return on those investments. Why should the Media Development Fund be absolved from having to be treated any differently in

that area – that the profits that it generates it can keep and do whatever it wants with because it did not come from the taxpayer? That does not make rational sense to me, that argument.

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Q51. The Chairman: If I can offer some sort of analogy to what you are saying: if you were to go and put a pound in a fruit machine and win £500, and you perceived you had only lost a pound when you then spent the whole £500 back in the fruit machine.

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Mrs Beecroft: I would have felt I had lost £500.

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Q52. The Chairman: Okay, but maybe there is something there around perception, because I am sure I could find as many people who would argue one as the other. That is something maybe we need to explore further with the people who made the decisions at the time, as to what their perception would be of that same situation – which is something we will be doing.

Mrs Beecroft: I think that perception, as stated in *Hansard*, was subsequently regretted possibly.

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Q53. Mrs Corlett: Perhaps your analogy is more about when to pull out.

The Chairman: When to stop.

Mrs Corlett: Yes, when to cut your losses and get out.

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Mrs Beecroft: And again, this is why you need the KPIs, the measurements, the targets as you go along, so that Treasury have something to measure these things by and something to justify when they get asked Questions in parliament as well. They say, 'Well, why would we do anything? They complied with what we set up at the beginning of the contract. We gave them these targets and they have reached them' – or they did not reach them, with the reason. There has to be something, and as PAC reported several times, there did not seem to be. How can you hold something to account if you have not got anything to account with?

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Q54. The Chairman: I think with that we would like to thank you very much for your time. If you do have anything that comes to light, I would just reiterate that we would welcome receiving that.

We will now sit in private.

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Mrs Beecroft: Thank you very much.

The Chairman: Thank you.

The Committee sat in private at 12.43 p.m.