

## **BUILDING OUR INDUSTRIAL STRATEGY**

### ***Consultation response from the non-Government members of the Creative Industries Council***

#### **Introduction**

The Creative Industries Council (CIC) is a joint forum between the creative industries and Government. It brings together employers, trade bodies and institutions from across the creative industries, with Government Ministers to work collaboratively on key issues affecting this vital industrial sector.

This response to the Government's green paper on industrial strategy is made on behalf of the non-Government members of the CIC. All references to the Council in this document are to the non-Government members only.

The Creative Industries Council welcomes the Government's consultation on a new industrial strategy for the UK. In particular we welcome the Government's commitment to working in partnership with industry to build a modern industrial strategy driving improved productivity, living standards and economic growth across the country. We strongly endorse the Government's recognition that the creative industries are among our country's key industrial strengths, making a major and growing contribution to the UK economy. The Council particularly welcomes the invitation from Government to construct a "sector deal" to upgrade our economic prospects, improve productivity and drive future success.

This consultation response sets out our emerging thinking on the shape of a sector deal for the creative industries, ahead of a fully worked up submission in the summer. In the annex, we also offer some broader thoughts in response to questions asked in the Government's consultation paper.

In pursuing this work, we are working closely with the Creative Industries Federation, who have been undertaking a major engagement programme involving people in, and connected with, the creative and cultural sectors across every area of the country. We are also cooperating closely with Sir Peter Bazalgette in his independent review of issues around talent, intellectual property and technology for our sector.

#### **Context**

The creative industries together form a key sector of UK industry, generating around £90bn per annum and making up over 5% of the UK's economy. They are one of the fastest growing sectors of the British economy, growing at more than twice the rate of the economy as whole. They are responsible for nearly 10%, or £20 billion, of the UK's annual service exports and directly employ some 2 million people.<sup>1</sup> These jobs are substantially more resistant to future automation than those in the rest of the economy.<sup>2</sup>

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<sup>1</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/523024/Creative\\_Industries\\_Economic](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/523024/Creative_Industries_Economic)

<sup>2</sup> [https://www.nesta.org.uk/sites/default/files/creativity\\_vs.\\_robots\\_wv.pdf](https://www.nesta.org.uk/sites/default/files/creativity_vs._robots_wv.pdf)

As the Green Paper recognises, our creative industries have a global reputation, with the UK acting as a major global centre for creative sectors from TV, film and music to games, design, fashion, and advertising and marketing. The UK's creative output is celebrated the world over and plays a vital role in shaping the UK's image and reputation abroad, helping to make the UK a top destination for tourists and business investment.

Many of the biggest global creative firms have major headquarters in this country while, at the same time, the overwhelming majority of creative industry firms are small businesses.<sup>3</sup> This, together with a high degree of project-based working and workforce mobility, provides the basis for a dynamic competitive landscape with significant potential for innovation and disruption - particularly important given the pace of change in technology and consumer behaviour affecting our sectors.

The creative industries play a key role in the life of our nation and its communities, reflecting people's diverse experiences, shaping the physical environment and helping to educate our children. Our industries help to promote diversity and social mobility, provide opportunities for people to develop and use a huge range of talents and skills, bringing people together and making connections between communities.

The creative industries also help to power many other areas of the economy, which draw on the products and services of sectors such as advertising and marketing, design and architecture, or on the creative skills and talent which our industries develop. The wider creative economy (which includes creative occupations across all sectors as well as the creative industries themselves) employs around 3 million people and generates over 8% of the UK's GVA.<sup>4</sup>

Our industries are particularly key to the development of the wider digital economy, with creative products being a key driver for the marketing and sale of electronic devices, and for the take-up and use of communications technologies. In particular, the power of creative storytelling is key to unlocking the commercial value of many technological developments.

As the Green Paper makes clear, there are a range of challenges and opportunities ahead. The Council has separately submitted to Government its views on the key priorities for our sectors in the forthcoming negotiations on our future relationship with the EU, and many of the opportunities identified in this submission are dependent on that relationship. Beyond this, we believe that the reframing of the UK's industrial strategy brings huge opportunities to transform our creative sectors through:

- consolidating and building on the UK's position as a global hub for creativity,
- increasing growth in our creative industries and improving their productivity,
- providing new opportunities for talented, creative people from all backgrounds and areas of the country
- stimulating innovation and new businesses across the UK.

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<sup>3</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/544103/DCMS\\_Sectors\\_Economic\\_Estimates\\_-\\_August\\_2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544103/DCMS_Sectors_Economic_Estimates_-_August_2016.pdf)

<sup>4</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/523024/Creative\\_Industries\\_Economic\\_Estimates\\_January\\_2016\\_Updated\\_201605.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/523024/Creative_Industries_Economic_Estimates_January_2016_Updated_201605.pdf)

Achieving that will require concerted, coordinated action by all parts of our industry, working in partnership with Government at central, national and local level, and with educational and other key public institutions.

## **Building a Sector Deal for the Creative Industries**

The CIC has made two major submissions to Government over the last year, setting out our analysis of challenges and opportunities for our sectors:

- Create Together, published in July 2016, identified a range of broad strategic drivers for growth around areas such as skills; trade and exports; IP protection; cluster development; access to finance; diversity and digital infrastructure. Many of the actions identified are still in train.
- Creating a New World View, submitted in October 2016, made a series of specific recommendations aimed at securing the best possible deal for the creative industries in the future relationship with the EU; and taking advantage of new market opportunities to sustain and build on the UK's global competitiveness.

The analysis and recommendations made in these submissions are still valid. In particular, securing continued barrier-free access to EU markets is an essential part of the foundations for any new industrial strategy. We remain committed to working with Government in order to achieve the maximum benefits from our future relationship with the EU.

The work we have done to date gives us a solid foundation of evidence, knowledge and analysis on which to build, as well a range of actions already in hand to consolidate and build on the success of our industries.

There is now an opportunity to go further. There is untapped potential in our creative industries for growth in career opportunities, productivity and value-added. We are working up proposals for a Sector Deal which will unlock that potential, turbocharging our industries and the broader creative economy, and delivering benefits for the whole of the UK.

We expect to put forward our proposed sector deal in the summer, with specific proposals for action by the private and public sector working in partnership. Key to our proposals will be a package of measures to be focused on specific geographical areas, in order to build up a number of substantial creative industry clusters with the critical mass to be internationally competitive and to drive economic growth in different parts of the UK. We have also identified a number of cross-cutting priority areas for action to transform the creative economy UK-wide.

### High-growth creative clusters

London is a major international centre for the creative industries, and we look forward to working with the Mayor and other London authorities to ensure that London's international position can be maintained and strengthened over the coming years. More widely, there are

already some 47 identified creative industry clusters spread right across the UK.<sup>5</sup> These are of varying sizes and some are specific to individual subsectors. We believe that there is the potential to develop a number of these into major new innovative creative industry centres outside London, through concerted, coordinated and prioritised action by private and public sector partners, including industry, LEPs, local and national government, education and research institutions. Based on our experience of what works, the Council will bring forward proposals for action, informed by and working with partners, to grow major, sustainable local creative ecosystems in targeted areas across the UK, in order to:

- stimulate the local investment which will enable creative businesses to start, and then to scale up, securing gains in both productivity and critical mass
- provide job opportunities and career pathways for people from all backgrounds, linked to high quality education and training provision; and encourage entrepreneurship
- boost local economic growth through developing the wider supply chain and the local creative and cultural infrastructure
- build on existing strengths and anchor organisations to renew and reinforce the relationship between sector and place.

One specific idea we are exploring is the potential for a cluster focused on virtual and augmented reality, an emerging market estimated to be worth over \$100 billion by 2023. It has cross-cutting value to numerous sub-sectors of the creative industries. There is potential for the UK to become a world leader in this new market: the establishment of a new cluster - alongside support for innovations in virtual and augmented reality from the Industrial Strategy Challenge Fund - could accelerate the market in the UK's favour.

We are also working up proposals for horizontal action to address key issues affecting the economic prospects of our sectors across the UK. These include:

#### Boosting exports and inward investment

There is already a large global international market for the UK's creative products. The creative industries are responsible for some 9% of the UK's service exports (c.£20bn per annum)<sup>6</sup> and we are a prime investment hub for many of the biggest global players. The Creative Sector Tax Reliefs continue to play a key role in attracting inward investment and growing UK businesses in the sub-sectors to which they apply. But there is considerable potential for further growth internationally – for example a high proportion of UK creative businesses do not currently export at all (although this varies between sub-sectors). We plan to bring forward proposals for a new, industry-driven export strategy, drawing together industry investment and various existing elements of Government support into a single, coherent drive to maximise the international reach and growth of our industries.

In our earlier submission on priorities for the UK's exit from the EU, the Council set out a number of specific recommendations aimed at ensuring that our creative industries continue to experience the same level of benefits from access to EU markets as we do today. The prospect of new bilateral trade deals with key trading partners is an exciting one and we are

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<sup>5</sup> <http://www.nesta.org.uk/publications/geography-creativity-uk>

<sup>6</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/544103/DCMS\\_Sectors\\_Economic\\_Estimates\\_-\\_August\\_2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544103/DCMS_Sectors_Economic_Estimates_-_August_2016.pdf)

keen to help shape the approach to these. We propose to do this through identifying the key markets which offer the greatest opportunities for our industries, working with governments in actively tackling barriers to trade in creative products and services, and securing the best possible competitive environment for the UK's creative businesses.

### Catalysing Investment

The creative industries are dominated by small and micro businesses, and by project-based ways of working. Evidence suggests they can find it particularly difficult to secure the investment needed to grow and scale up. For example, a forthcoming analysis of BEIS's Innovation Survey for Nesta and the CIC shows that a significantly higher proportion of creative industry firms report lack of availability of finance as a barrier to innovation than other service firms.<sup>7</sup> This is likely to be for a combination of reasons, some to do with knowledge and skills, others linked to the intangible nature of their output – creative intellectual property – and its perceived risk profile. We are exploring a potential package of measures aimed at increasing the supply of finance available to creative businesses (particularly those outside London), from private and public sources, at key development stages, raising their ambition and productivity, and incentivising investment in the intellectual property which drives their growth.

The creative industries rely fundamentally on constant innovation – every creative product, whether a fashion design, music album, book, film or video game, has to be distinctive and fresh in order to succeed. The creative sectors invest substantially in research and development, much of which is technological and scientific, but which can also be focused on experiential and behavioural innovation rather than physical products. According to the Innovation Survey, creative industry firms are as likely to conduct in-house or external R&D as are manufacturing firms, and are much more likely to do so than services firms.<sup>8</sup> We believe that there is considerable R&D in our sectors which currently goes unrecognised, with missed opportunities for commercialisation. We are investigating this further with a view to proposing specific action to unlock the economic potential of this activity.

Underpinning the UK's global competitiveness is the fact that it currently has one of the most favourable environments in the world for the creation and ownership of intellectual property, particularly copyright. It is essential that this remains the case for the future, and we are considering the potential for measures which could enhance further the ability of creators to realise the full value of the products they create.

### Securing the talent pipeline

We want to establish a new partnership between industry and Government, local and national, to ensure that we are able to develop, attract and retain the skills and talent our sectors need now and for the future, covering every stage from school to technical pathways and apprenticeships, further and higher education and in-job training. In doing so we want and need to afford greater access and opportunities to diverse talent across the UK. There is a need for clearer, more accessible information about career options, making use of timely and granular data<sup>9</sup>; greater recognition of the combination of STEM and creative skills on which creative businesses – as well as those in other parts of the economy – increasingly rely<sup>10</sup>; and

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<sup>7</sup> Innovation in the Creative Industries: an analysis of BEIS's Innovation Survey, 2012-2014', Enterprise Research Centre, forthcoming.

<sup>8</sup> *ibid.*

<sup>9</sup> <http://data-viz.nesta.org.uk/creative-skills/index.html>

<sup>10</sup> <http://www.nesta.org.uk/publications/fusion-effect-economic-returns-combining-arts-and-science-skills>

more effective coordination of industry and public investment in, and action on, education, skills and talent development – particularly given the high proportion of freelancers and micro businesses across our sectors. We are developing proposals for the creative industries to collaborate together and in broader partnerships to ensure that:

- there is a clear, ongoing, and data-led understanding of likely future skills gaps and shortages across our industries
- that schools are supported and encouraged to offer access to creativity and digital technology fused with science, engineering and maths
- students at all levels and on all courses are well informed about potential entry routes into our sectors and employers' requirements
- courses and institutions are available which are recognised by industry as being of high quality and meeting its needs
- apprenticeship standards and technical education routes are available in a way which works for, and secures widespread support from, the creative industries
- training is provided to develop people throughout their career, including the development of world-class “super-smart” talent and enable the industry to continue thriving as consumer expectations and operating models continue to transform.

Alongside this, we will also want to offer proposals to ensure that we are able to attract and recruit the best talent from around the world, particularly in areas which rely on individual creative brilliance or where there is global competition for specialist skills.

We are doing further work in all of these areas, with the aim of assembling a package of proposals which, together, will have a transformational effect on the UK's creative industries, and make a major contribution to a thriving UK industrial base for the future.

We expect to submit our full proposals in the summer.

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## Annex - Responses to consultation questions

### Summary

1. *Does this document identify the right areas of focus?*
2. *Are the 10 pillars suggested the right ones?*

The CIC believes that, in broad terms, the ten pillars identified in the green paper do cover the key issues which need to be addressed for the future, although inevitably some are more directly relevant than others to the creative industries.

As the green paper recognises, an effective industrial strategy will need to combine horizontal, economy-wide measures across key areas such as skills and education, trade and innovation, with sector-specific approaches to address the particular challenges and characteristics of key industries. We strongly welcome this. The particular characteristics of the creative industries – including their basis in creative intellectual property; dependence on creative talent; prevalence of small businesses and project-based operating models – mean that in many key areas, tailored approaches are needed in order to address challenges and opportunities for our sector effectively.

3. *Are the right central government and local institutions in place to deliver an effective industrial strategy?*

In general, we consider that the main priority for Government and other partners should be to ensure that the relationships between institutions at central and local level – and between public sector institutions and industry – are clearly defined and work effectively in practice.

There are a number of areas in which we see scope for institutional relationships to be reformed, in particular to give industry a stronger role in shaping support for business. For example:

- there is scope to remodel the approach to ***driving exports***, bringing together Government and industry investment in export support to operate more strategically, with clearer industry-led direction.
- likewise, there should be a closer partnership between industry and Government on action to ***develop skills and talent***, in order to ensure that there is a comprehensive range of education and training provision which will meet the future needs of our industries.

These are two key examples of areas where industry expertise could be used more effectively in order to maximise the combined value delivered by public and private investment, and where sectorally tailored approaches could add significant value, working within the boundaries of the overall policy framework. Specific proposals in these areas are being worked up as part of our sector deal proposition.

## ***Investing in science, research and innovation***

### *5. What should be the priority areas for science, research and innovation investment?*

We welcome the Government's prioritisation of research and innovation, which are fundamental to the creative industries. The creative industries are significant investors in R&D: new analysis of BEIS's Innovation Survey by the Enterprise Research Centre for Nesta and the Council shows that creative industry firms are as likely as manufacturing firms to conduct in-house and external R&D and are far more likely than services firms to do so.<sup>11</sup> They are also more innovation-active than services firms on the main indicators covered by the Innovation Survey: product, process, new to the market and organisational innovation. The Digital Catapult is one good example of public resources working in partnership with the creative industries to develop new markets and drive innovation in the sector. However, as outlined in the previous section, there is currently insufficient recognition across the system of the economic importance of creative R&D, alongside – or in collaboration with - scientific and technological innovation.

As a consequence, we believe that industry investment in innovation is both underestimated and undervalued. Much R&D activity takes place within creative businesses which is not recognised explicitly as such. That in turn means that opportunities are currently being missed to identify and commercialise innovative solutions and applications which may be developed in the course of a single creative process, but could be applied more generally. We will bring forward proposals to address this as part of our Sector Deal.

### *6. Which challenge areas should the Industrial Strategy Challenge Fund focus on to drive maximum economic impact*

The ISCF has a potentially critical role to play in enabling the UK to be at the forefront of future developments in the creative industries. It is therefore vital that, as the Green Paper recognises, key challenges in the creative industries should receive support from the ISCF. Our industries are fundamentally affected by technological change. The development of digital technologies and communications, in particular, have been hugely disruptive. They have driven massive innovation in the range and nature of creative products and services, transforming both consumer expectations and our business and operating models. Indeed, it is often creative businesses who develop the applications and content which drive the take-up and growth of new technologies – online creative content, for example, is a major driver of demand for broadband and mobile devices and networks.

The pace of change is likely to increase over the coming years. Our industries will need to keep innovating in order to stay competitive. The ISCF can and should play a significant part in ensuring that the UK is well placed to meet some of the upcoming R&D challenges and to be at the cutting edge of future developments.

The development of immersive technologies, such as virtual reality, is one clear example of a fast-rising area which presents major opportunities for the UK, particularly in using the expertise of our creative sectors to develop the new forms of content and applications which could drive the growth of the market. Virtual and augmented reality are together set to

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<sup>11</sup> Innovation in the Creative Industries: an analysis of BEIS's Innovation Survey, 2012-2014', forthcoming.



become a multi-billion dollar industry over the next few years. The world-class capabilities of our creative industries could make us a world leader in this area, but barriers to entry at this early stage are relatively high, particularly for small businesses, so ISCF support could be critical in realising this potential. The use of technology in creative design is another area ripe for innovation which the Challenge Fund could help support.

The CIC will continue to work closely with Innovate UK and the AHRC to shape these and other key global challenges which the ISCF could help us meet for significant economic gain. It is vital that there is continued close collaboration between industry and all public bodies engaged in this area, to ensure that priorities for public support are guided by an in-depth understanding of the key business opportunities and challenges it aims to address.

7. *What else can the UK do to create an environment that supports the commercialisation of ideas?*
8. *How can we best support the next generation of research leaders and entrepreneurs*
9. *How can we best support research and innovation strengths in local areas?*

The ability of our industries to commercialise their ideas is fundamentally dependent on an environment which enables them fully to realise the value of the intellectual property they create, particularly copyright. The UK currently provides a high level of protection of copyright works. This is critical in enabling creators to secure a financial return for their work and in enabling businesses to invest in creativity. The key priority for our industries in this area, therefore, is to maintain the strength of the current protection framework – much of which is based in EU law – after the UK's exit from the European Union.

In the meantime, as noted in our previous submissions, it is important that the UK continues to make the case for territoriality and clarification of safe harbours within the digital single market while still a member of the EU, which will remain a major market for our creative sectors. We should also ensure that copyright exceptions introduced in the digital single market are not damaging to creative businesses in the UK. Domestically, we should ensure that the UK is the best place for rights protection, digital and physical, through regular analysis of threats on the horizon and assessments of the capacity of the legal and enforcement framework to deal with them. The Police Intellectual Property Crime Unit (PIPCU) in particular has played a key role in tackling IP theft. In addition, the creative industries have been working and co-investing with Government on a copyright education campaign – “Get it Right from a Genuine Site” – which has shown positive results in significantly reducing piracy among those exposed to it. We urge Government to continue funding for this campaign in conjunction with industry partners.

As noted above, the lack of recognition for creative R&D is a currently a barrier to commercialisation and the capture of wider economic benefits from knowledge creation which takes place as part of the creative process. Addressing this would give creative entrepreneurs greater access to public support and incentives, unlocking increased private sector investment in R&D and commercial opportunities.

Our experience to date of creative clusters indicates that harnessing innovation and commercialisation potential in local areas requires strong partnerships between local public authorities, industry and educational institutions with specialist expertise. Coordination and

tailoring of business support – with involvement from established industry players – is a key part of this. As noted above, we are developing specific proposals to support the growth of creative industry clusters in key locations around the UK, including measures to promote and encourage creative entrepreneurs.

For creative start-ups in particular, a clear understanding of the intellectual property framework and the availability of guidance on how to manage and effectively exploit IP is critical to their ability to accrue value and grow sustainably. We welcome the proposal to place IPO representatives in key UK cities and look forward to working with IPO colleagues to link them in effectively with creative businesses at local level.

### ***Developing Skills***

*11. Do you agree with the different elements of the vision for the new technical education system set out here?*

CIC agrees with the Government that action to improve technical education and to address STEM shortages are both needed in order to meet the future needs of UK industry and ensure that our education system prepares people to take up the opportunities which will be on offer tomorrow, as well as today. However, these measures by themselves will not be sufficient to meet the needs of a productive, competitive economy.

It is vital, in particular, to ensure that the different elements are not developed in separate silos, but instead form part of a coherent, strategic approach to education and skills development which links through every stage of an individual's career, from school through to further and higher education, workplace training and lifelong learning.

It is equally vital that industry is closely involved at every stage, at a strategic level as well through engagement with individual employers. The structure of the creative industries, with high levels of project working, freelance professionals, and small businesses, means that there is a high risk of fragmentation and market failure in training and skills development. A coordinated, cross-industry approach is needed in order to ensure that current and future skills needs can be systematically identified and met. We urge the Government to engage closely with key employer-owned bodies who can broker such an approach on behalf of the industry.

Our analysis of skills needs across the creative industries shows that STEM-based skills are core to many of the key occupations on which our businesses rely.<sup>12</sup> However, the importance of STEM to our industries is not fully recognised by Government and other key public authorities, for example in the current approach to apprenticeships and training support. This risks putting the creative industries at a significant disadvantage compared to other STEM-based sectors of the economy and we ask that this be rectified.

Creative Industry employers place a particularly high value on individuals with educational backgrounds which combine technical subjects with creative ones. Similarly, evidence shows that employers recruiting to creative occupations across other parts of the economy often require similar people with a similar combination of creative and STEM-based backgrounds.

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<sup>12</sup> <http://data-viz.nesta.org.uk/creative-skills/index.html>

The potential importance of this “fusion” of STEM with creativity should be given much greater recognition, so that it can be properly factored into decisions about the range of subjects made available by schools and colleges, and into the advice and guidance given to students as they plan their educational pathways into work.

In this context the Government’s commitment to radical improvements in the provision of careers advice is particularly welcome. The forthcoming careers strategy will be one important opportunity for the Government to ensure that students of all backgrounds have access to clear, comprehensive and accurate advice on the needs of creative industry employers alongside others.

Alongside the proposed new technical routes, the CIC continues to believe that the new framework for apprenticeships could significantly broaden access to our industries through increasing the availability and take-up of apprenticeships. We have welcomed the dialogue with Government through the joint CIC/DfE working group, about how to facilitate the achievement of that aim. However, we remain concerned that, without some further – limited - flexibility to take account of the particular skills needs and employment patterns of the creative sectors, the opportunity to maximise apprenticeship places may be missed and, in the worst case scenario, numbers may actually reduce following the introduction of the changes.

*13. What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?*

The CIC welcomes the Government’s plans to develop an authoritative evidence base on skills gaps across the economy. We are giving further consideration to how we can best ensure that we have the most systematic and detailed evidence possible of prospective gaps and shortages across the full range of occupations in our industry, and look forward to collaborating further with the Government on this.

As noted above, our industries are undergoing rapid and transformational change, the pace of which is likely to be at least sustained for the foreseeable future. The evidence currently available points to a range of potential future shortages, particularly related to the requirements of developing creative products in, and for, a digital environment; the fusion of creative and technical skills described in the previous section; as well as other areas including core business skills for creative entrepreneurs.

In order to meet these needs, strong partnerships and coordination will be needed between educational institutions, Government and industry representatives at local, national and central Government level. As outlined earlier in this document, we expect to offer further proposals as part of our Sector Deal for how the creative industries can work collaboratively with Government and the education sector to secure the future talent pipeline for our businesses. Specific measures to improve links between industry needs and educational provision should include:

- comprehensive careers advice and guidance, accessible to all and delivered in partnership with employers
- strong local partnerships between employers in key local industries, educational institutions and local government

- industry-led accreditation of courses which are recognised as meeting the needs of employers in particular sectors

Alongside this, as noted in our previous submission (on priorities relating to the UK's exit from the EU) it is vital that our industries are able to recruit people with key skills from the EU and more widely, particularly in key areas where there is global competition for specialist capabilities, and that we can continue to attract the very best creative talent to the UK.

### ***Upgrading infrastructure***

16. *How can local infrastructure needs be incorporated within national infrastructure policy most effectively*

The Government is right to identify infrastructure, including strong transport links and housing availability, as critical to the development of local economies. It is important, as part of this, that planning systems and processes recognise the significance of creative industry infrastructure, such as studio facilities, to both local clusters and the UK creative economy as a whole.

The availability of fast, reliable data networks is particularly vital to many creative businesses and is often a key factor in their choices of locations. We recognise that the UK's digital communications infrastructure has improved considerably over recent years and welcome the progress which has been made in extending the coverage of "superfast" broadband and 4G. However, areas without affordable high-speed connectivity will not be sustainable as bases for creative industry development.

We urge Government, locally and nationally, and LEPs, to ensure that this is factored into plans for investment in local fibre rollout and 5G mobile technology, so that areas with significant creative clusters – particularly where these are identified for future growth – are prioritised for digital connectivity.

Other forms of infrastructure, particularly transport and housing, are also vital for the creative industries as they are for other sectors of the economy. We look forward to working with the key strategic bodies to ensure that the wider infrastructure needs of key cluster areas are factored into their planning.

### ***Supporting businesses to start and grow***

20. *Given public sector investment already accounts for a large share of equity deals in some regions, how can we best catalyse uptake of equity capital outside the South East?*

21. *How can we drive the adoption of new funding opportunities like crowdfunding across the country?*

22. *What are the barriers faced by those businesses that have the potential to scale-up and achieve greater growth and how can we address these barriers?*

CIC welcomes the Green Paper's emphasis on supporting businesses across the UK and the activities which Government has initiated to review access to long-term finance, entrepreneurship and support for scale-up businesses.

The Green Paper rightly recognises that new and early-stage businesses in many areas can face difficulties in securing the finance they need to scale up. Evidence currently available suggests that there are particular challenges for creative businesses. This is partly due to the overwhelming predominance of micro-businesses in the sector, as well as their reliance on flexible, project-based operating models. But factors such as the intangible nature of their primary output, significant reliance on talented individuals, and the inherent difficulties of spotting potential creative hits, means that creative businesses can also be viewed as particularly uncertain and high-risk prospects by potential investors. In the 2016 Scale-Up Institute Survey, 86% of creative industry respondents said they would be able to grow their companies faster with better access to venture capital finance<sup>13</sup>, while previous data has suggested that the demand for equity from creative businesses has been nearly twice that of SMEs in the rest of the economy<sup>14</sup>. Moreover, in 2015 some three-quarters of Angel investment, and two-thirds of UK venture investments, into digital media and content businesses went to London-based companies even though 75% of digital technology businesses operate outside London<sup>15</sup>.

At the same time, many small creative businesses need encouragement to raise their ambitions for growth, support in engaging with the investment community, and help in identifying and understanding the various routes to taking on finance and their implications.

As described above, the CIC sees scope for a tailored approach bringing the finance and creative communities closer together, particularly outside the South East of England, and providing incentives to invest in small and growing IP-based businesses around the UK. There is also scope to stimulate the development of new ways to realise value from intangibles such as intellectual property. This latter is particularly important as our economy overall becomes increasingly information-based and firms hold increasing levels of intangible assets. Such measures could significantly improve the flow of growth capital into our industries, providing a platform for successful creative businesses to grow in scale and value over future years. Enabling businesses to acquire and sustain scale would bring significant productivity gains for the sector since, in broad terms, productivity in the creative industries increases with firm size.<sup>16</sup>

Alongside access to finance, the availability of high quality business support – including specialist advice and guidance, access to networks and executive education – is a critical factor in enabling businesses to scale up. For many businesses, access to suitable workspace and specialist equipment can also be a challenge. More widely, assistance with advertising and marketing could help small business across all sectors to grow their brands: we note that the Advertising Association are developing specific proposals on this.

We plan to submit firm proposals in this area in the summer, as part of our Sector Deal.

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<sup>13</sup> [http://www.scaleupinstitute.org.uk/wp-content/uploads/2016/11/Scaleup\\_full\\_report\\_ReSET\\_021216\\_Final2-2.pdf](http://www.scaleupinstitute.org.uk/wp-content/uploads/2016/11/Scaleup_full_report_ReSET_021216_Final2-2.pdf)

<sup>14</sup> <http://applications.creativeengland.co.uk/assets/public/resource/38.pdf>

<sup>15</sup> <http://www.techweekeurope.co.uk/e-enterprise/merger-acquisition/2015-uk-vc-investment-record-183305>

[http://www.nesta.org.uk/sites/default/files/tech\\_nation\\_2016\\_report.pdf](http://www.nesta.org.uk/sites/default/files/tech_nation_2016_report.pdf)

<sup>16</sup> [http://www.frontier-economics.com/documents/2016/07/absorptive-capacity\\_frontier-report.pdfsmal](http://www.frontier-economics.com/documents/2016/07/absorptive-capacity_frontier-report.pdfsmal) b

## ***Improving procurement***

23. *Are there further steps that the Government can take to support innovation through public procurement?*

We noted in Create Together, our July 2016 strategy document, that Government procurement of creative services tends to be fragmented and is not always informed by appropriate expertise. We therefore welcome the Government's commitment to improve public procurement through stimulating innovation, reducing bureaucracy and increasing opportunities for small businesses.

We look forward to the Government's forthcoming new guidance for public buyers. In particular, we welcome the prospect of stronger guidance on giving suppliers scope to exploit intellectual property which is developed in the course of public contracts, which could significantly enhance the business and innovation benefits of public procurement.

Value for money and innovation in the procurement of creative services could be further enhanced by ensuring that all procurements of creative products involve appropriate professional expertise. It is important in particular that those undertaking procurements understand and prioritise the delivery of maximum creative value – and hence return on investment - alongside direct cost controls.

## ***Encouraging trade and inward investment***

25. *What can the Government do to improve our support for firms wanting to start exporting? What can the Government do to improve support for firms in increasing their exports?*

As noted earlier in this response, the creative industries have a significant track record of success in the export of both goods and services, both within and beyond the EU, and are responsible in particular for around one tenth of the UK's total service exports. We want to build on this and see major potential for further growth.

Government support for exports can play a critical role in providing coordination, financial help and risk mitigation to businesses, helping them to access new markets and international customers.

However, the various forms of Government export support currently tend to be fragmented and difficult to navigate. There is also a lack of overall strategic focus on specific priority markets for the creative industries, or long-term objectives to reflect business cycles. This leads to sub-optimal outcomes for the resources invested. The CIC is developing proposals for a more coherent and efficient approach enabling Government and industry resources to work together more effectively under an industry-led, multi-year export strategy. This would maximise return on investment and ensure that we seize the opportunities presented by the renewed focus on international trade, including the establishment of a dedicated Department.

We believe such an approach could significantly increase the added value of export support activity. As part of this, the provision of industry-specific, locally based face-to-face advice

and support for small and micro businesses could play a major role in enabling businesses, particularly outside London and the South East, who are not currently exporting to do so.

As we have made clear in previous submissions, continued ease of access to the EU market is critical for the sustainability of our international position and future growth of our industries. Alongside this, we see potential to open up access to new markets around the world via new free trade agreements. We have identified a number of priority territories for our industries and will engage further with Government on this over the coming months. In particular, we are working to identify markets where there are real barriers that may be overcome to the benefit of UK creative industries and consumers. We will also continue to engage with Government to ensure that the needs of the creative sectors are taken into account in broader trade discussions, on issues such as visas suitable for touring, freelance and project-based work, restrictions on taking currency out of a country, and robust IP protection and enforcement.

### ***Cultivating world-leading sectors***

*31. How can the Government and industry help sectors come together to identify the opportunities for a “sector deal” to address – especially where industries are fragmented or not well defined?*

The CIC strongly welcomes the Government’s invitation to industry to develop sector deals and its recognition of the creative industries as a key growth sector for the economy.

The Creative Industries Council brings together representatives of all of the diverse sub-sectors of the creative industries. We have outlined above the work we are doing to develop proposals on behalf of these sectors for action by industry and Government which will improve productivity, growth and competitiveness of our sectors.

*32. How can the Government ensure that “sector deals” promote competition and incorporate the interests of new entrants*

We share the Government’s concern to promote competition and the interests of new entrants.

Over 90% of creative companies are micro-businesses or SMEs. The UK’s position as a global centre for the creative industries relies not just on the strength of established players with the scale to compete on the international stage but also, critically, on our ability to nurture new talented entrepreneurs in the sector and enable them to grow their businesses. We know that financing and building new businesses based on creative IP brings particular challenges. We are therefore developing specific proposals, as part of our sector deal proposition, to make it easier for new creative businesses to be established and to scale up in order to fulfil their commercial potential.

33. *How can the Government and industry collaborate to enable growth in new sectors of the future that emerge around new technologies and new business models?*

The development of new technologies, and accompanying changes in consumer expectations and behaviour, have transformed business models in the creative industries over recent years, and will continue to do so over the foreseeable future. This brings many commercial challenges, but also great new opportunities for innovation and the development of new services.

We therefore share the Government's concern to ensure that its industrial strategy, and our sector deal, promotes and enables the innovations in services, products and business models which will be needed to take advantage of the opportunities offered by new technological developments.

### ***Driving growth across the whole country***

34. *Do you agree the principles set out above are the right ones? If not what is missing?*

The CIC welcomes the Government's focus on developing and promoting economic growth across all parts of the UK and on supporting the development of industrial clusters with local specialisms.

The creative industries are well placed to contribute to the development of the economy outside London and the South East of England. There are already 47 identified creative clusters around the country of varying sizes and profiles<sup>17</sup>, and we believe there is potential to build on this in order to unlock significant growth in local economies.

The CIC is developing a toolkit for incoming metropolitan mayors and local authorities more widely, with guidance on key measures which can be taken at local level to enable the growth of creative businesses. This will be made available after the forthcoming local elections.

Nesta and the CIC will this year produce a Creative Nation mapping report and interactive data visualisations, which will provide further analysis of the talent and knowledge ecosystems which make up these clusters, helping to inform local priorities.

As part of our sector deal, we are working on proposals for targeted action aimed at scaling up a number of major creative industry centres around the UK, based on partnerships between industry, local government and other public authorities, education and research institutions, to drive the growth of the creative economy, and associated skills and opportunities.

At the same time, London is and will remain a vital centre for our creative industries and it will be important to sustain its position as a major international hub following the UK's exit from the EU. We will want to ensure that all parts of the UK benefit from London's strength, so that its role in attracting investment helps to drive growth in creative clusters outside the South East as well as in it.

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<sup>17</sup> <http://www.nesta.org.uk/publications/geography-creativity-uk>



***Creating the right institutions to bring together sectors and places***

*36. Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?*

As the Green Paper recognises, there is clear evidence that creative and cultural infrastructure has wider economic benefits for a locality. It is a key factor in making a location an attractive place to live and work. And there is a significant correlation between creative and wider technology-driven clusters.

In our view the key to further development of successful clusters lies in forging strong, mutually reinforcing partnerships which bring industry together with the relevant local agencies – including local government, LEPs and educational institutions – and which draw upon strong local commitment and leadership from all parties.

*END*