

Levelling up and the UK's Creative Industries

December 2022



The UK's Creative Industries are a global success story. Our creative content, products and services are world-renowned, exercise significant soft power and deliver economic, social and health benefits to people and communities far and wide.

Domestically, the Creative Industries are an integral tool in the UK's social and economic regeneration. As well as being a significant contributor to job creation and economic growth in all parts of the UK, the sector is a vanguard for the future of work and industry - resistant to automation, built on innovation and with a high number of agile and entrepreneurial freelancers and small businesses. The sector has been central to the UK's global soft power, instrumental in bringing communities together, in driving tourism and exports, and is fundamental to the nation's health and wellbeing.

Talent and growth potential are everywhere, but opportunity is not. This challenge has been exacerbated by the COVID-19 pandemic and current economic volatility, so this briefing highlights the importance of strategically supporting and investing in organisations and people across all nations and regions of the UK.

The Creative Industries play an integral role in achieving cultural and economic regeneration consistent with the goals of the levelling up agenda. To enable this transformation, we need long-term systemic change in policy design and delivery - one that recognises the unique characteristics of future-facing industries like ours.

SUMMARY:

- The UK Creative Industries are rich with local economic and job growth potential. Between 2010 and 2019, Creative Industries GVA grew by 71% in Scotland and 44% in the West Midlands.
- The sector supports place-shaping and health and wellbeing at a local level. This was evident during the pandemic, when organisations pivoted their operating models to ensure people were able to participate in creativity virtually.
- Creative and cultural organisations are key anchor institutions in local communities – fostering vibrant ecologies, supporting cohesion and helping to generate civic pride.
- Creative clusters – both urban and rural - are important in bringing together creators, business and academia. They boost the economy, drive regeneration and foster talent.
- Research shows that, during financial crisis, the creative economy and investment was reconsolidated in London and the South East. UK-wide, locally tailored interventions are needed to prevent this from working against levelling up goals in times of economic crisis.
- New research by Frontier Economics for the Department of Digital, Culture, Media and Sport shows that the success of creative clusters depends on five factors: access to finance, access to talent, innovation, broad environment and exporting.
- The creative ecosystem depends upon a mixed funding model: strategic public investment in culture and access to commercial finance. Investment and business support must be tailored to the sector's unique characteristics to unlock local growth potential.
- The Creative Industries have previously benefitted from European Structural and Investment Funds (ESIF) to develop place-shaping infrastructure. Its successor, the UK Shared Prosperity Fund (UKSPF), is a missed opportunity for the sector - the parameters are too broad and will inevitably reduce investment in culture.

- Local government is a major cultural investor but has seen its core funding reduced over a sustained period. The Local Government Association (LGA) has highlighted a real-terms reduction in council spending on cultural services by £1.84 billion from 2009/10 to 2017/18.
- Short term programmes with limited funding create unhelpful competition between councils and could potentially disadvantage areas where culture teams are thinly resourced.
- Creative Europe funding, a key source of sector investment, is no longer available in the UK. Domestic alternatives must be explored to ensure all regions and nations are able to benefit.
- Creative Industries tax reliefs must be protected and enhanced to ensure the sector can achieve equitable growth and create new jobs.
- Investment in R&D boosts innovation across the UK. Funding for Creative Industries innovation, through the Creative Clusters and Audiences of the Future programmes, must be continued.
- The Government's definition of R&D, for tax relief purposes, must be expanded to include creativity.
- It is critical to invest in people and talent, as well as organisations, to create a more diverse workforce and support the sector's expansive network of freelancers.
- Creative subjects and skills must be prioritised at every stage of the education and skills pathway and be supported by sector-specific careers advice through the Creative Careers programme.
- Vocational qualifications, including apprenticeships and T Levels, must be tailored to take into account the sector's characteristics (e.g. project-based work) and ensure it is easier for industry to provide meaningful placements and to ensure qualifications meet industry needs.
- Reforms to social security, pensions and tax should be explored - to provide solutions to the systemic barriers facing creative freelancers, and thus incentivising entrepreneurialism.
- The UK's immigration system should be reviewed to ensure it meets the UK's need for diverse, global creative talent.

About Creative UK

Creative UK supports, invests in, connects and champions the Creative Industries and their ability to catalyse social and economic change. We fuel creativity by investing in people and businesses, empowering innovators and entrepreneurs by connecting them with each other, and with finance, business development and skills training, to enable them to reach their full potential – without compromising their ideas. wearecreative.uk

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CREATIVE INDUSTRIES KEY STATISTICS:

- Pre-pandemic, the Creative Industries contributed £116 billion to the UK economy - more than the aerospace, automotive, life sciences and oil and gas sectors combined. This equates to 6% of UK GVA.
- The sector was growing at four times the rate of the wider UK economy.
- In 2019, 2.1 million people worked in the UK's Creative Industries, with creative jobs growing at three times the UK average. A further 1.4 million jobs were supported by the Creative Industries through their supply chains. The sector is expected to create one million more jobs by 2030.
- One third of the workforce is self-employed. 90% of creative businesses are micro businesses, employing 9 people or fewer.

- A projected increase in spend and investment in the Creative Industries of 20% on 2019 levels could, by 2025, result in £132.1 billion in Creative Industries GVA and 2.3 million jobs.
- For every £1 created by the Creative Industries in Wales and the North East, a further £2.50 is generated elsewhere in the local economy, and for every job created in the East Midlands, another 1.6 jobs are sustained in the region.
- Although the largest proportion of Creative Industries jobs are in London and the South East, creative jobs have been growing significantly up and down the UK. Between 2011-2020, Creative Industries jobs grew by 68% in the North East and 61% in Yorkshire and Humber.
- Oxford Economics projects that an increase in spend and investment in the Creative Industries of 20% on 2019 levels would result in the creation of an additional 300,000 jobs - enough new jobs to employ the working age populations of Hartlepool and Middlesbrough twice over.

These and other statistics can be found in the Creative UK report (2021): [The UK Creative Industries: Unleashing the power and potential of creativity](#).

The role of the Creative Industries in levelling up the UK

The sector has a strong presence across the UK, generating growth in jobs and economic value throughout the regions and nations. Latest figures from the Department for Digital, Culture, Media and Sport (DCMS) indicate that between 2010 and 2019, the sector's GVA grew by 71% in Scotland and 44% in the West Midlands.¹ Jobs in the sector grew by 21% in Northern Ireland between 2016 and 2019, and by 30% in the North East over the same period.² Highly successful creative clusters, such as the video games industry in Leamington Spa, Guildford and Newcastle-Upon-Tyne fuel local growth, and cultural organisations and events - and the supply chain they work with - attract significant tourism and revenue. Edinburgh Festival has delivered an estimated £1bn to the UK economy every year it has been running.³

The sector's contribution to place extends beyond the economic. It plays a significant role in health and wellbeing, in bringing people together, strengthening communities and supporting the most vulnerable. This came to the fore during the COVID-19 pandemic, when Creative UK highlighted the value of arts, culture and creativity through its #OurWorldWithout campaign.⁴ Creativity contributes to our sense of self, helps us feel connected and shapes our values.

In Northern Ireland, Arts Care enable visual artists to develop spaces for creative expression in health and social care settings, and commission freelance musicians to deliver therapeutic sessions for hospital staff. Based in Denbighshire in Wales, Lost in Art is a visual arts community group supporting people living with dementia through weekly creative activities. As a result of COVID-19, these were moved online, with materials being mailed to participants and weekly tutorials filmed for participants to engage with and then share their thoughts

¹ [DCMS Sectors Economic Estimates - Regional Gross Value Added](#) (26 August 2021)

² [DCMS Sectors National Economic Estimates: Employment, January to December, 2011 to 2020](#) (23 December 2021)

³ Cebr, [The Edinburgh Festival – the billion pound moneyspinner that showcases a dramatic change in the Scottish economy](#) (4 August 2019)

⁴ Creative UK Campaigns: <https://www.wearecreative.uk/champion/campaigns/>

with each other via social media. Participatory, socially engaged practices such as these are integral to the recovery of communities and the most vulnerable post-pandemic.⁵

Culture and creativity are also a force for social good. CreaTech is generating powerful tools to help improve health and wellbeing – from interactive play to VR platforms that help surgeons prepare, practice and refine their skills. Research also suggests that arts and cultural activities bring communities together, support public health improvement, deter crime, restore trust and participation in the night-time economy, and help disadvantaged groups reap more of the benefits of regeneration. To that end, culture and creativity positively contribute to the goals of levelling up.

Arts organisations can act as powerful anchor institutions in local communities - supporting vibrant local ecologies that grow pride, support community cohesion and sustain jobs. Creative clusters across the UK are a great example of how the Creative Industries bring together businesses, universities and creators to generate hubs that boost the local economy, drive regeneration and improve quality of life. However, as well as continuing to support existing hubs, we must also invest in emerging clusters, especially in rural areas.

Tailored interventions: Learning from financial crisis

The UK is well placed to recover from the pandemic and current economic challenges with a booming creative sector, but to enable this, we need to ensure we learn the lessons from government’s response to the 2008 financial crisis and the pandemic.

Research by Cambridge Econometrics, released by the Creative Industries Policy and Evidence Centre and Creative England in 2020, reveals that prior to the previous recession, the Creative Industries were growing in all parts of the UK - urban and rural. But under economic duress, those burgeoning clusters shrunk, and concentration focused back on London and satellite clusters in the South East.⁶ A significant opportunity for job-creation and growth in all parts of the UK was lost. This evidence is supported by research published in June by Creative England and Nesta, which tracked the GVA and employment growth of the creative sector from 1991-2018 in all of England’s Local Enterprise Partnerships, showing that after the 2008-09 recession, London’s creative sector proved much more resilient.⁷ **Leaving recovery to the market will setback the levelling up agenda: UK-wide, tailored and local interventions in investment and talent are needed to ensure opportunity and wealth is spread more evenly.**

THE IMPACT OF THE PANDEMIC ON CREATIVE INDUSTRIES GVA IN THE NATIONS & REGIONS:⁸

Analysis by Oxford Economics, for Creative UK, painted a stark picture of the impact of COVID-19 across the different parts of our sector, across the UK nations and regions:

- Scotland’s creative sector lost £500m in GVA (-10.9%)

⁵ Culture, Health and Wellbeing Alliance, [Responding to COVID-19: Sharing stories from creative professionals across the UK](#), 2020

⁶ Creative Industries Policy and Evidence Centre, [The importance of a UK-wide recovery plan for the creative industries](#) (June 2020)

⁷ Creative Industries Policy and Evidence Centre, [The changing spatial distribution of employment in creative industry clusters in England 1991-2018](#) (June 2020)

⁸ Oxford Economics/Creative UK: [The UK Creative Industries: Unleashing the power and potential of creativity](#) (July 2021)

- Wales's creative sector lost £200m (-18%)
- Northern Ireland's creative GVA remained stable at £1.2bn during the pandemic
- The North West's creative sector lost £900m (-13.2%)
- Yorkshire and The Humber's creative sector lost £400m (-12.5%)
- The West Midlands' creative sector lost £500m (-11.4%)
- The East Midlands' creative sector lost £300m (-10.7%)
- London's creative sector lost £6.1bn (-10%)
- The East of England's creative sector lost £600m (-9.4%)
- The North East's creative sector lost £100m (-9%)
- The South East's creative sector lost £1.6n (-8.3%)
- The South West's creative sector lost £400m (-4.4%)

Without strategic government investment and the right policy framework, parts of the sector, people and places will be left behind economically. At particular risk are those parts of the sector reliant on footfall and audiences, crucial parts of our workforce, including freelancers, and places like Wales and the North East.

Supporting the growth of creative clusters

New research by Frontier Economics, for DCMS, highlights the factors necessary to support the development of creative clusters across the UK.⁹ The report presents a five-point framework for benchmarking the local growth potential of creative clusters, highlighting the key ingredients for success:

- **Access to finance:** "Access to finance is key for creative businesses to succeed. It affects their ability to expand, scale up and invest in R&D and innovation. External finance is particularly important for SMEs"
- **Access to talent:** "Access to skilled labour is vital for growth, yet creative firms must compete with other firms and other parts of the country for talent. The overall supply of appropriately skilled labour in the UK and its geographical distribution are important."
- **Innovation:** "Innovation is critical to long-run growth. Innovation increases the efficiency with which existing output can be produced and gives rise to new goods and services that households and firms value."
- **Broad environment:** "Broader environmental factors, such as infrastructure and quality of life, can have important direct impacts on productivity; they can also have indirect effects by shaping the ability of the local area to attract and retain a highly skilled workforce. The wider cultural setting may be significant for the creative industries specifically, while the industrial composition of the local area can also have important consequences for the quantity and quality of knowledge that spill over to creative firms."
- **Exporting:** "Firms that sell overseas have access to larger markets, facilitating growth and, potentially, risk diversification."¹⁰

This research provides the policy framework for targeted support that can enrich and enhance the value of the Creative Industries in meeting levelling up goals.

⁹ Frontier Economics/DCMS, [Understanding the Growth Potential of Creative Clusters](#) (August 2022)

¹⁰ Frontier Economics/DCMS, [Understanding the Growth Potential of Creative Clusters](#) (August 2022)

Finance, investment and business support

To maximise the Creative Industries' ability to contribute toward the UK's social, cultural and economic regeneration, investment and business support must be tailored to account for the sector's unique characteristics. The Creative Industries are a diverse and interdependent ecosystem made up of majority micro-businesses (90% of creative businesses employ 9 people or fewer), cultural organisations and institutions, and a significant number of freelance workers (a third of the sector's workforce).¹¹ They are highly innovative, entrepreneurial and agile, with an intangible asset base – the very archetype of the future of work.

These unique characteristics present unique challenges when it comes to accessing business support and finance. For example, 72% of businesses in the creative sector are currently under capitalised and 62% believe a lack of finance has restricted their growth in the past.¹² That failure stems from the perceptions of mainstream financiers, who see the sector as risky. Creative businesses' primary asset is their intangible intellectual property, and so they lack the physical assets necessary to secure a loan. In addition, creative products and services are highly innovative, often 'hits' based and rarely demand-led (e.g. a game or film as examples) so investors without a detailed knowledge of the sector struggle to predict market appetite. Creative businesses therefore rely disproportionately on informal finance (e.g. from friends, family and credit cards) to support early-stage business growth. This intensifies inequality and exacerbates the lack of market intelligence.

Strategic and ambitious public investment in culture, heritage and the arts, alongside tailored interventions to support creative businesses, have been far more effective than more generic offerings in driving local growth and opening up opportunities to those who would not otherwise have it. These programmes and investment must be continued and upscaled, established programmes further tailored to the needs of the creative sector and gaps in available and in-demand finance plugged.

Creative UK remains a major investor in place. It is working in partnership with the North of Tyne Combined Authority to deliver an ambitious Culture and Creative Investment Programme. The two-year partnership will see £2.6 million invested in the local creative and Cultural Industries - combining grants and loans with wraparound business support, specialist workshops and mentoring.¹³ This is only one example of a number of Creative UK regional growth programmes that offer skills development, business support and investment opportunities to creators and creative businesses across the UK.¹⁴

Case Study: Creative UK Creative Growth Finance¹⁵

Creative Growth Finance is a landmark fund, delivered by Creative UK in partnership with Triodos Bank, providing vital scale-up finance to the UK's most promising creative businesses. Finance is directed to post-revenue creative businesses showing growth potential and that:

- bring change, disruption and new Intellectual Property to the Creative Industries

¹¹ Oxford Economics/Creative UK, [The UK Creative Industries: Unleashing the power and potential of creativity](#) (July 2021)

¹² BDRC/Creative Industries Council, [Access to Finance](#) (June 2018)

¹³ Creative UK, North of Tyne Culture and Creative Investment Programme: <https://www.wearecreative.uk/northoftyne/>

¹⁴ Creative UK, Regional Growth Programmes: <https://www.wearecreative.uk/support/regional-growth-programmes/>

¹⁵ Creative UK, Creative Growth Finance: <https://www.wearecreative.uk/support/creative-enterprise/investment/creativegrowthfinance/>

- harness creativity with technologies and supporting businesses
- are talent led.

Loans range from £100,000 to £1m and include long-term specialist business support and access to creative networks.

Since Creative Growth Finance was launched in 2019, Creative UK has awarded over £8.65 million in loans, enabling creative businesses to unlock further private investment. Annual revenue growth across those receiving investment has more than doubled and growth remained strong, with all loans on-track to be repaid in full.

Northcoders:

Founded in 2015, Northcoders is a market leading provider of B2B and B2C coding and software development training to companies and individuals across the UK. Its business model operates a hybrid structure from its existing hubs in Manchester and Leeds. It is building a presence in Birmingham through its online courses, and there are plans to open a permanent base in the city.

In 2017, Creative England (as we were then known) first invested in Northcoders through a loan fund called iAMDigital. At the time, Northcoders was in its first year of offering a coding training bootcamp with a shared office facility in Manchester. In February 2020, investment from the Creative Growth Finance fund enabled expansion and provided the means to scale-up operations, including the provision of new apprenticeship placements.

Since its inaugural course in 2015, Northcoders has helped over nearly 1,000 people switch into tech careers, with average starting salaries of £25,500.

Public subsidy: The UK Shared Prosperity Fund and local investment in culture

European Structural and Investment Funds (ESIF) have been a transformative funding source for the creative sector, fuelling the development of place-shaping infrastructure and economic growth, focusing on areas with the greatest need and advancing levelling up across the UK.

- Analysis carried out by the UK's Arts Councils found EU funding contributed more than £400 million to 1915 projects supporting the arts, museums, and Creative Industries in England, Wales and Scotland between 2006 and 2017.^{16,17}
- Historic England and Historic Environment Scotland found heritage related projects in England and Scotland received over £480 million in EU funding between 2007 and 2016.¹⁸

¹⁶ Figures aggregated from 'Assessing European Union's contribution to the arts, museums and creative industries 2007-2016' in [England](#), [Wales](#), and [Scotland](#). Analysis carried out by Euclid on behalf of the Arts Council England, Wales and Northern Ireland and Creative Scotland in 2017

¹⁷ £230 million of this EU funding went directly to ESIF projects, £224 million of this to ERDF and ESF projects

¹⁸ Euclid/Historic England, [The European Union's contribution to Scotland's historic environment 2007-2016](#) (May 2017)

- The British Film Institute found that the European Regional Development Fund (ERDF) contributed £79.6 million to the screen sector alone between 2007 and 2017.¹⁹

Examples of the significant impact that has been generated by the Creative Industries through ESIF funding can be found in the Appendix - including the work of the Merseyside Music Development Agency, which provided sector-specific business support, created 240 jobs and safeguarded a further 200 through its Creative Advantage project.

Another highly effective ESIF-supported intervention was Skills for the Digital Economy in Wales which provided a range of training opportunities to those in the creative sector based in West Wales and the Valleys. Over 975 employees and freelance workers received training in roles ranging from producing and directing to business and finance and app creation.

European Structural and Investment Funds (ESIF) have been replaced by the UK Shared Prosperity Fund (UKSPF). When creating the UKSPF, there was an opportunity to redesign investment and business support to better accommodate the creative sector's needs and catalyse the growth of strong creative clusters across all regions of the country. However, this opportunity was missed.

While it is right that local government is in the driving seat in place-shaping, the way the UKSPF has been set up is so broad that there is no guarantee that creatives, creative businesses and cultural organisations will benefit in the same way that they did previously. The envelope of funding that will flow to culture through the UKSPF is likely to be much less than under the ESIF.

There is a risk that funds may be used to plug deficits in local services or be diverted away from culture-led regeneration. This is of particular concern in deprived areas where local and social needs may be great and cultural provision and infrastructure low. The Local Government Association (LGA) highlights the challenges that arise from short-term, limited-funding programmes, which create competition between councils and do not necessarily achieve long-term goals or provide best value for money. This model disadvantages those councils whose culture teams are already thinly resourced, as the National Audit Office's recent report Supporting Local Economic Growth²⁰ highlighted. In their submission to the Digital, Culture, Media and Sport select committee inquiry into cultural placemaking and the levelling up agenda, the LGA said "smaller local authorities in smaller towns and local areas often have an inbuilt disadvantage in competitive bidding processes. Moreover, national funding programmes often have challenging timeframes for submission, which also places authorities with smaller teams at a disadvantage. Competitive bidding processes, such as those employed by the Levelling Up and Community Renewal Funds, consume valuable time and resources at a time when councils want to be fully focused on delivering local priorities, such as protecting communities and businesses from the impact of the pandemic and securing future resilience."²¹

The LGA recently highlighted the pressure on core council budgets over the last twelve years, alongside rising demand for statutory services (such as social care) and how this has placed significant strain on discretionary cultural services. Local authority spending on cultural and related services decreased in real terms by £1.84

¹⁹ British Film Institute, [Mapping Study of EU funding in UK screen sectors 2007-17](#) (March 2018)

²⁰ National Audit Office, [Supporting local economic growth](#) (February 2022)

²¹ Local Government Association, [LGA submission to the Digital, Culture, Media and Sport inquiry into Cultural placemaking and levelling up agenda](#) (March 2022)

billion from 2009/10 to 2017/18. For every £1 spent on culture and heritage in 2009/10, 61p was spent in 2017/18. For libraries the figure was 58p.²² Nevertheless, local government remains the biggest public funder of culture, spending over £1 billion a year in England alone. Extraordinary cost pressures on councils means that culture is competing for ever-dwindling funds against high levels of need.²³ To ensure the success of UK Shared Prosperity funding, and other levelling up funds, core Local Government funding must be increased. Significant investment will be necessary to realise the Government's ambitions and ensure no-one is left behind.

Public subsidy: Creative Europe

Domestic alternatives to other EU funding sources, which have been key to the growth of the sector across the UK, are also vital to the success and growth of the Creative Industries.

Creative Europe is a €2.44 billion European Union programme²⁴ that has helped tens of thousands of professionals and organisations in film, TV, games, publishing, music, heritage and the performing and visual arts. It has not only been a huge contributor to the UK independent film sector, but an integral part of the success of the UK's Creative Industries, providing vital access to finance, markets, skills development and employment. The benefits of Creative Europe have been seen across the UK and the programme has had a significant impact in contributing to levelling up. The programme has funded 1766 screen sector projects in total across every part of the UK with approximately two-thirds of all funding going outside London²⁵. This investment both stimulated growth and funded projects that have delivered extensive jobs and commercial returns to local economies.

An example of a project that has made a considerable difference to levelling up is the award-winning drama *Hinterland*, filmed entirely in Aberystwyth, West Wales, which is estimated to have brought in £700,000 to the local area.²⁶ The production company, Fiction Factory, estimate that through the contribution of tourism and the multiplier effect, the economy in the area has seen a further £2 million of investment due to the show.²⁷ Given the producers were unable to raise the finance to start production for two and a half years prior to receiving Creative Europe funding, the programme has been a vital intervention in enabling these local benefits to take place.

Creative Europe also provided regional benefits beyond film production, such as through funding the SPECTRA festival in Aberdeen in 2017, which was part of the ENLIGHT project. ENLIGHT supported artists to learn new skills in partnership with technical and scientific professionals and involved creating large works for international audiences. SPECTRA 2017 is thought to have generated more than £685,000 in new output to Aberdeen. The additional economic contribution from local residents was estimated to be more than £314,000.²⁸

²² Local Government Association, [LGA submission to the Digital, Culture, Media and Sport inquiry into Cultural placemaking and levelling up agenda](#) (March 2022)

²³ Local Government Association, [Inflation and National Living Wage pressures to add £3.6 billion extra costs onto council budgets - LGA analysis](#) (June 2022)

²⁴ European Commission, About the Creative Europe Programme: <https://culture.ec.europa.eu/creative-europe/about-the-creative-europe-programme>

²⁵ British Film Institute, [Mapping Study of EU Funding of the UK Screen Sectors 2007-2017](#) (March 2018)

²⁶ Drew Wylie Projects/Creative Europe Desk UK, [The Impact of Creative Europe in the UK](#) (July 2018)

²⁷ Drew Wylie Projects/Creative Europe Desk UK, [The Impact of Creative Europe in the UK](#) (July 2018)

²⁸ Drew Wylie Projects/Creative Europe Desk UK, [The Impact of Creative Europe in the UK](#) (July 2018)

Creative Europe has been instrumental in maintaining the international artistic collaborations that make our Creative Industries world-leading, enhance our lives at home and grow the UK's soft power abroad.

Government must continue to explore equivalents to Creative Europe funding, to ensure that the UK continues to prosper as a global leader in creativity and enable all UK regions to benefit. And while some schemes have been introduced, these are not an equivalent to the scale of support received through Culture Europe. The Global Screen Fund is a “partial replacement”²⁹ of funds, and other schemes, such as the Four Nations International Fund, are not an equivalent replacement for Creative Europe funding.³⁰

Investment: Creative Industries Tax Reliefs

Tax reliefs for the Creative Industries not only boost investment in homegrown talent and ideas, they cement the UK's position as a global creative superpower and attract valuable inward investment – making Britain both an attractive and competitive place to do creative business. The UK's Creative Industries Tax Reliefs have been highly effective in achieving this – enabling our creative content and services to become world-renowned and highly profitable. **At a time when sustainable and equitable growth is needed quickly, it is vital that the incentive they provide is maintained and extended to encompass more of the Creative Industries.**

Existing tax reliefs in the screen sector have made a significant difference in boosting both production investment as well as the contribution of the sector to the economy and to job creation. Between 2017-2019, the screen sector produced a return on investment of £13.48 billion in GVA from UK government tax reliefs for film, television and video games production.³¹ Over the same period, 219,000 new jobs were created in this sector, UK screen production increased by 74% and £1.02 billion of tax relief seeded £5.11 billion in direct production spend in 2019 (a 61% increase on 2016).

Government can unleash the sector's growth potential and significant economic opportunity by reaffirming their commitment to Creative Industries Tax Reliefs - strengthening and extending those that have already leveraged major investment into the UK and introducing new tax reliefs in parts of the sector where the potential for growth is strong.

Bolstering existing tax reliefs:

- **Reaffirm commitments to tax reliefs for the screen sectors, including the film, high-end TV and children's TV,** to ensure their ongoing economic and creative competitiveness.
- **Reform Tax Relief to assist Visual Effects (VFX) and Animation** and put the UK on a more globally competitive footing for inward investment. Due to fiscal incentives overseas, other countries have built significant homegrown capacity and skills for technology-enabled industries like animation and VFX. UK Screen Alliance and Animation UK have developed a business case for the introduction of a VFX and Animation Tax Relief that is globally competitive and, if adopted, could retain and attract £225 million worth of inward investment to the UK annually.

²⁹ ScreenDaily, [UK unveils £7m Global Screen Fund to partially replace Creative Europe programme](#) (November 2020)

³⁰ Arts Professional, [International partnerships fund 'not a replacement Creative Europe'](#) (November 2021)

³¹ British Film Institute, [New report shows UK tax reliefs power unprecedented boom in UK screen industries](#) (December 2021)

- **Increase the rate and scope of the Video Games Tax Relief** from 25% of 80% of core expenditure, to 32% of 80% and include post-launch activities. Video Games Tax Relief is vital in ensuring international competitiveness – levelling the playing field for the UK with major markets, such as the US and Canada. Ireland recently announced Video Games Tax Relief at 32% (for design, build and testing costs up to €25 million).³² There is a real risk of lost investment to the sector if the UK Government does not match Ireland’s rates. Research by TIGA suggests that an increase in the rate of relief to 32% would generate approximately 1,500 additional skilled development jobs, over 2,700 indirect jobs and approximately £200 million in additional GDP contribution per year by 2025.³³
- **Retain current rates of cultural tax relief for Theatre and Orchestras** for a minimum of a year and until the economic uncertainty is stabilised for these sectors. In October 2021, the Government announced an extension to these tax reliefs, but these rates are due to taper down from April 2023.³⁴ During this time, the viability of retaining existing tax reliefs on a permanent basis, and expanding the scope of eligible organisations, must be seriously considered.
- **Remove the Museums, Galleries and Exhibitions Tax Relief (MGETR) sunset clause, making relief permanent for the sector.** Introduced in 2017, the MGETR provides vital support worth up to £30 million per year for museums. Unlike other reliefs, the MGETR contains a sunset clause due to expire in April 2024.³⁵ This clause must be removed to allow museums and galleries to continue to benefit from this relief, which is needed more than ever as the sector grows its visitor numbers following the pandemic.

Introducing further tax reliefs:

- **Introduce a Music Tax Relief** to incentivise the creation of new music in the UK, foster innovation, attract inward investment and strengthen the music industry’s export potential.³⁶ Specific tax incentive schemes for music production or composition exist in other countries with strong music sectors, such as France and Canada. For example, a similar tax credit scheme in France delivered a return on investment of €2.7 for every €1 invested by the Government. Without a tax relief, the Government risks putting the UK at a disadvantage.
- **Introduce a Publishing Tax Relief** to incentivise the production of published works. The UK exports more books than any other country and contributes £3.74 billion of GVA in 2019 through magazine and multi-media publishing.³⁷ However, there are challenges due to global supply chain issues and the increased cost of paper and print manufacturing in the UK. An extension of Creative Industries Tax Reliefs to the publishing sector would bolster UK manufacturing, boost sales and mirror the financial support available for specialist and book publishers internationally.
- The UK fashion sector is exploring how to use tax reliefs to onshore manufacturing and meet demand for sustainable fashion. The global fashion industry could be incentivised to significantly expand its UK

³² TIGA, [As Ireland announces new video games tax credit, UK must increase rate of VGTR to stay competitive](#) (October 2021)

³³ TIGA, [TIGA welcomes announcements in the Spring Statement but calls on the Government to Enhance Video Games Tax Relief](#) (March 2022)

³⁴ HM Revenue and Customs, [Cultural Relief Rate Rises for Theatre, Orchestra, and Museums and Galleries Exhibition Tax reliefs](#) (October 2021)

³⁵ HM Revenue and Customs, [Extension to Museum and Galleries Exhibition Tax Relief sunset clause](#) (October 2021)

³⁶ UK Music, [HM Treasury Consultation on R&D Tax Reliefs](#) (June 2021)

³⁷ Professional Publishers Association, [PPA Sector Insight Report Highlights Economic and Cultural Value to UK](#) (May 2021)

presence through **tax reliefs for UK fashion design and manufacturing** and through the use of **sustainable design, manufacturing and service practices**.³⁸ This could help the UK to meet its net zero target, support manufacturers to adapt their practices and meet consumer demand.

Investing in innovation and R&D

Investment in R&D provides a key means by which the Creative Industries can maintain their pattern of high growth and job creation while ensuring that these benefits can be accessed fairly across the country. Given the spread of the creative sector in all parts of the UK, investing in R&D means investing in the regeneration and success of every community. It drives innovation at a time when it is needed most - ensuring our world-leading sector remains at the cutting edge and is unlocking its potential to tackle local challenges such as the regeneration of our high streets alongside global challenges linked to sustainability and tackling climate change.

Existing R&D schemes have been successful in advancing innovation in the Creative Industries and generating economic benefits across the UK. UKRI investment in research and innovation has had immense societal impact. [Creative Clusters](#) and [Audience of the Future](#) are two of the world's largest R&D programmes for the Creative Industries, harnessing new digital and immersive technologies to create new markets, services and products across fashion, film, gaming, museums and theatre. The Creative Clusters programme has provided an unprecedented £80 million for innovative creative projects across the UK and is a flagship example of how public investment in R&D can lever additional investment and cement creativity as a key element in local and regional place-shaping.³⁹ The £39.3m Audience of the Future challenge fund brings together creative businesses, researchers and technology experts to create striking new experiences that captivate the public's imagination.⁴⁰

Direct investment in Creative Industries innovation, via UK Research and Innovation (UKRI) and Innovate UK must be continued. Investment in R&D must also be linked to building, retaining and protecting Intellectual Property assets.

In addition to R&D funding, R&D tax credits play a significant role in driving inward investment into the UK via the Creative Industries. Currently, HMRC adopts a narrow version of the OECD Frascati definition which restricts R&D to activities advancing science and technology (at the expense of creativity). Given the huge potential for innovation within the Creative Industries, it makes sense to consider a broader definition of R&D. In the months following a recommendation made by Nesta and the Creative Industries Policy and Evidence Centre (PEC) to use a wider definition of R&D in tax incentives,⁴¹ the Conservative Party Manifesto promised a review of the R&D definitions. Whilst data and cloud computing costs are now eligible for relief, there has been no wider consideration of the definition and no consideration of the Creative Industries role in R&D related innovation.

The official definition of R&D used by the UK government excludes the arts, humanities and social sciences, unlike some other OECD countries like Brazil, Czech Republic, Denmark, France, Italy and Korea⁴². Consequently, much of the R&D in the Creative Industries – which is reliant on the arts, humanities and social sciences – is not recognised and does not qualify for targeted R&D support. **The current UK R&D definition should be widened**

³⁸ Fashion Roundtable, [Cleaning Up Fashion](#) (July 2021)

³⁹ Creative Industries Clusters Programme: <https://creativeindustriescusters.com/>

⁴⁰ UK Research and Innovation, [Audience of the future challenge](#) (November 2022)

⁴¹ Creative Industries Policy and Evidence Centre, [How evidence should guide manifesto promises on the creative industries?](#) (November 2019)

⁴² OECD, [OECD Compendium of Information on R&D Tax Incentives](#) (March 2022)

to include the Creative Industries, which have been hard hit by the pandemic and other economic challenges, and where the UK has clear international strengths.

The OECD Frascati definition could be incorporated in a more holistic manner within HMRC's tax credit criteria. This would then allow for R&D "comprising of creative and systematic work" to also be included, providing an avenue by which innovation in the Creative Industries can be properly recognised. Fundamentally, we must move away from the image of research as something that takes place in laboratories funded by large corporations and instead look to embrace the potential of creativity through "individuals, SMEs, collaborations and networks".⁴³

It is vital therefore that we look to achieve a targeted expansion of R&D tax credits to encompass more of the Creative Industries and protect levels of innovation investment at a time when firms would otherwise struggle to afford it. Instead, as part of the autumn statement, the Chancellor chose to reduce rates of R&D tax relief for SMEs, while increasing rates of relief Research and Development Expenditure Credit (RDEC). This change was introduced in response to concerns about abuse and compliance by SMEs, and unduly disadvantages high growth, high innovation sectors, like the Creative Industries, that already struggle to access reliefs. We call on the Government to look again at how the Creative Industries can be supported to innovate via R&D tax relief.

People and talent

To ensure that we spread growth and opportunity throughout the UK, we need to invest in people as much as in organisations. Cultivating and attracting the next generation of diverse creative talent and ensuring our sector's significant freelance workforce is better supported, are among our sector's top priorities.

The challenges borne of the pandemic and the current economic climate exacerbate existing workforce shortages. Young people and those from the lowest socio-economic backgrounds and most deprived parts of the country are likely to be the worst affected by these challenges. We need to establish new ways of generating opportunities for the full diversity of individuals whose talent will lead to economic success and social prosperity. **Creativity and creative skills will be crucial to the recovery of, not only our sector, but the economy at large. The opportunity to learn creative skills must therefore be guaranteed for all.** This means prioritising and resourcing creative education and training at all levels to ensure access to the greatest diversity of individuals, regardless of background or location.

We need to accompany this by proactively connecting young people, graduates and trainees with employers and mentors across the Creative Industries, with a particular focus on those who do not have these links. **For those still in school, we need to build on the successful Creative Careers Programme,⁴⁴ which, since it was established in 2019, has delivered over 92,000 student interactions with creative businesses, engaged over 1000 creative employers and achieved over 40,000 hits on the Discover! Creative Careers website.⁴⁵**

⁴³ UK Research and Innovation, [Defining R&D for the Creative Industries](#), (March 2017)

⁴⁴ Discover! Creative Careers, About Discover! Creative Careers: <https://discovercreative.careers/about/about-the-creative-careers-programme/>

⁴⁵ Department for Digital, Culture, Media and Sport, [Creative Careers Programme Grant FY 22/23-24/25: Guidance for Applicants](#) (May 2022)

We also need to transform the apprenticeship system, recognising that in the creative sector, a 12-month apprenticeship contract with a single employer may not be realistic. This could be accommodated by adopting a modular approach to skills development and a consortium approach to delivery. **We strongly support the Creative Industries Council's proposals on the Apprenticeship Levy and the practice of those in the devolved administrations: allowing greater flexibility in the pooling of levy funds and enabling the existing apprenticeship levy to be part of a skills levy that can help address workforce shortages in the sector.**

Support also needs to extend to our freelance community, who play a vital role in future industries like ours, and whose entrepreneurialism, agility and propensity to innovate will be key assets as the UK looks to grow. The pandemic brought to light just how vulnerable this part of our workforce is, because they do not receive the same level of support as PAYE workers. COVID-19 support programmes, including the Self-Employed Income Support Scheme, are estimated to have excluded 3 million taxpayers across the economy as a whole⁴⁶, with many of these being personal service company directors, PAYE freelancers and the newly self-employed in the creative sector. **Securing fairness in the benefits and social security for self-employed workers, and incentivising entrepreneurs to start their own business/portfolio, is crucial.**

Finally, our domestic success is underpinned by the international talent we attract. People, places and organisations across the UK rely on such talent to secure their world-leading status, grow tourism and fuel innovation. The UK's immigration system often presents barriers to ensure we make the most of these opportunities, and our exit from the European Union has created further challenges, particularly for Britain's small businesses and around temporary movement of artists, performers and those touring to deliver high-value services. **It is important that the UK's immigration system is tailored to the unique nature of the creative sector and recognises the growth potential that global talent brings.**

⁴⁶ ExcludedUK, What ExcludedUK do...: <https://excludeduk.org/what-excludeduk-do/>

Appendix

European Structural and Investment Funds Case Studies: Impact of ESIF Funding on the Creative Industries

Merseyside Music Development Agency (MMDA), Liverpool

The Market Failure:

Prior to the introduction of the Agency's programmes with support from ERDF:

Public sector business support (e.g. Business Link) was too generic for the creative sector, lacking sufficient specialist knowledge to add significant value and failing to understand the specific needs and nature of the sector.

Private sector advice, including consultancy IP lawyers, sector-specialist accountants and consultants, was seen as value-adding but prohibitively expensive. This was particularly the case for start-up creative microbusinesses but also for Merseyside businesses more broadly given regional economic inequalities.

A lack of access to information of sources of business support and grants presented a barrier to businesses taking up the few opportunities available.

Project Overview:

The Agency initially provided business support services to the music sector from 2003-2005 and built on the success of this to launch programmes for the wider Creative Industries under the heading Creativebias.

Creativebias' "Move on Up" programme provided assistance to creative entrepreneurs at pre-start and start-up stages through advice and mentoring, highlighting key information, start-up grants, training and workshops, networking sessions and access to IT facilities. Running concurrently with "Move on Up" from 2005-2008 was "Creative Advantage", which facilitated various creative sector development initiatives including high-growth grants, consultancy services, workshops and even trade missions.

The end of Creativebias was followed by Amplifi (2007-2008) which was a creative enterprise programme for 14-25 year olds. Amplifi offered work experience placements, the opportunity to participate in creative projects (such as fashion shows, magazine and video production), as well as access to IT training and resources.

Key Performance Indicators:

Employment and Turnover - Effect of the Programme on Businesses Engaged

Creativebias "Move on Up" resulted in 170 new business start-ups, while Creative Advantage created 240 jobs and safeguarded a further 200 - this was equivalent to £12m of turnover being safeguarded and £25m turnover created.

Amplifi resulted in 175 young people receiving qualifications and/or entering into employment.

Additionality - External Investment Leveraged

“Move on Up” was delivered by MMDA, as part of a wider Merseyside-wide cross-sector European Regional Development Fund (ERDF) & European Social Fund (ESF) business start-up programme with multiple providers (each contracted separately by Government Office North West). While £0.5m was supplied through ERDF and ESF, this was matched by a further £0.5m from the Higher Education Funding Council for England, the Department for Trade & Industry and the North-West Development Agency.

“Creative Advantage” was a partnership programme led by Liverpool City Council (Merseyside ACME) in partnership with Creative Partnerships, MMDA (t/a Creativebias) and Knowsley MBC. The overall budget for the programme through all partners was £2-3m with MMDA contributing £850k, of which £330k was ERDF funding.

“Amplifi” was part of a Merseyside-wide cross-sector ESF programme and was able to leverage £260k in voluntary/private sector cash contributions and match funding on top of £130k of ERDF funding.

Quotes and Endorsement from Participants

Chris Meehan, CEO, Centric Music:

“Really simply, we had a business model that was unique and disruptive in the music publishing space. We couldn’t attract seed investors as it was a little bit early stage with no proof of concept, and we didn’t have the resources (I was still in university) to launch on our own. Technology was a big part, and I was able to get a match from a software development firm (their founder became my co-founder) and we received a £15k start up grant and some mentoring from MMDA to build a proof of concept version of our first platform.

We now employ over 75 people with head office in Liverpool, offices in London, Hamburg, Palma, New York and Los Angeles. We represent over 1.4m songs from over 220,000 songwriters in 150 countries and will turnover approx. £24m in 2020. We’ve invested over £2m in the software platform that we started building with a £15k grant and it’s industry leading in the music publishing sector. Along the way we’ve won numerous awards, had worldwide number one singles and albums.”

Skills for the Digital Economy, Wales

The Market Failure:

Wales has seen the number of people classed as ‘internet non-users’ halved from over 20% from 2012-2018. However, Wales still has the lowest proportion of its population equipped with ‘Basic Digital Skills’ compared to Scotland and NI and regions of England. Wales also has the highest proportion of those with zero basic digital skills (19%). With digital skills lacking in the wider population and an increasing role to play in meeting the demands of the workplace and economy, funding for training is vital to embed digital expertise within businesses and communities.

Project Overview:

Skills for the Digital Economy provided a range of training opportunities to the creative sector based in West Wales and the Valleys. The programme, which ran from 2011 to 2015, was part-funded by the European Social Fund via the Welsh Government, with additional funding support from the Welsh language broadcaster S4C and the trade association for Welsh TV producers, Teledwyr Annibynnol Cymru (TAC). The total programme budget amounted to £4.2m, with £2.6m of that made up of ESF.

Key Performance Indicators:

Engagement - Individuals Reached

Over 975 employees and freelance workers received training in roles ranging from producing and directing, business and finance, and app creation.

Turnover - Effect of the Programme on Businesses Engaged

The cumulative turnover attributed to the initiative, by 2020, was £9.3m.