Creative UK

# UK Government Spring Budget 2024

On 6 March 2024 the Chancellor delivered the much anticipated Spring Budget on behalf of the UK Government. Against a backdrop of economic stagnation, cost-of-living crisis, an upcoming UK Government General Election, and as a priority growth area recognised by the UK Government, for Creative UK the key question is whether the scale and complexity of fiscal intervention set out in the Budget marries with the level of action needed to stimulate growth and resilience.

Earmarked as a key growth sector in the Chancellor's speech and on the receiving end of £1 billion of tax relief, there are aspects of the Budget to celebrate which includes key areas where – along with our membership – Creative UK has consistently advocated for through engagement, in our official submission to the Treasury, and in public communications. This briefing takes a closer look at what is - and what isn't - in the Budget, how this affects the cultural and creative industries, and how Creative UK will work with members to advocate beyond recent developments.

## What's in the Budget, and how does it Affect the Cultural and Creative Industries?

The Budget contained actions which directly or indirectly affect (or have the potential to affect) the UK's cultural and creative industries. Specific areas included: measures explicitly targeted at the cultural and creative industries, investment, micro-businesses and small and medium enterprises, research and development, technology, developing the creative workforce, and freelancers and the self-employed.

*Measures Explicitly Targeted: Tax Reliefs, Institutional Funding, and Combined Authority Funding (for some)*

From the £1 billion in announced tax reliefs across the cultural and creative industries, a new Independent Film Tax Credit offers productions with a budget of up to £15 million the opportunity to write off 53% of production spend from future tax bills. Important adjustments include a 40% reduction to gross business rates for studios valued by the Valuation Office Agency as such and reforms to Audio Visual Expenditure Credit (AVEC) via the removal of the 80% expenditure limit for VFX tax relief, alongside a further 5% uplift in the tax relief rate for VFX spend (up to 39%). Specific expenditures which will qualify for AVEC will be determined post-consultation and eventually legislated for.

Given the cliff edge that was coming, it is no small joy for theatres, orchestras, and museums and galleries that 'sunset clauses on pandemic-era tax reliefs have been abolished. From 1 April 2025, the rates of Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Exhibitions Tax Relief will be permanently set at 40% (for non-touring productions) and 45% for touring productions and all orchestra productions.

Investment towards capital builds, refurbishment and infrastructure needs in our cultural institutions are desperately needed, and while there was fantastic news for some with £26.4 million directed towards upgrading the stage and infrastructure for the National Theatre and £1.6 million in funding allocated to Theatr Clwyd, there are many other venues and institutions in need of support to refresh infrastructure.

Similarly, and as a distinct measure apart from the specific spends on buildings, the £10 million announced for West Midlands Combined Authority in England to support culture and heritage projects will protect organisations from the 100% cut in funding previously announced earlier this year. However, these measures don't meet the breadth of need that exists at regional and local levels across the UK. Creative hubs face great insecurity, with extreme pressures on existing budgets and uncertainty about what is to come.

Creative UK continues to advocate for structural changes (such as regional investment funds and further tax reliefs) which allow for a more secure landscape for culture at locally and regionally, as well as strategic interventions to deal with fundamental barriers such as lack of development capital, in addition to further measures which affect other subsectors and the cultural and creative industries. Additionally, given the fundamental interdependence of cultural and creative industries organisations, HM Treasury should prioritise evaluating and strengthening fiscal measures such as tax reliefs in sub-sectors such as gaming, while also exploring the introduction of stimulus and investment where it does not yet exist such as crafts.

*Investment: Zones and Schemes*

The Tees Valley Investment Zone as a hub for the digital and creative sectors is a first step in attracting greater investment towards the cultural and creative industries. The UK Government expects this scheme to attract £175 million in private investment and create 2,000 jobs over the next 10 years.

A further development in investment in the North East came with £100 million of funding as part of the North East Mayoral Combined Authority (NEMCA) Level 4 devolution agreement. Included in this figure is £37 million in funding which will be used to regenerate brownfield sites, of which £25 million will be directed towards the development of Crown Works Studios. This funding has unlocked a further £450 million investment from FullwellCain (a partnership between Creative UK member Fulwell 73 and Cain International and backed by Sunderland City Council) and is set to create over 8,000 jobs. This will see investment into studio spaces and training, transforming the North East into a hub of Film and TV production activity.

But what about national measures directed at the investment landscape which intervene in systemic issues?

The UK ISA scheme – allowing individuals to save £5,000 which will be invested exclusively within UK businesses on top of their standard £20,000 ISAs – could go a some way to give creative Small and Medium Enterprises (SMEs) more investment. The consultation for this scheme launched shortly after the Budget was published, and closes on 6 June 2024. The UK Government is considering multiple types of investment which may be supported by the UK ISA scheme; of note are collective investment vehicles, which allow for investment into a portfolio of companies and may benefit creative SMEs at the discretion of private investors. We intend to respond to the consultation and support the inclusion of this measure. Equally, the pilot programme led by the Treasury's Office for Investment which will use underutilised government assets to invest in dormant areas of the economy has the potential to benefit the cultural and creative Industries.

The extension of the Growth Guarantee Scheme (formerly the pandemic-era Recovery Loan Scheme) is expected to benefit 11,000 SMEs until March 2026 with a 70% guarantee on loans up to £2 million in Great Britain and £1 million in Northern Ireland which could give increased investor confidence in qualifying loans for the Cultural and Creative Industries. The scheme is open to all businesses which trade in the UK and have a turnover of £45 million or less, and which are also viable and not in difficulty. Creative Growth Finance (Creative UK's own investment fund) qualifies for this scheme, and will use the extension of this programme to continually support creative SMEs.

Additionally, the reversal of changes to eligibility criteria for high net worth individuals and sophisticated investors announced in the Autumn Statement will enable creative SMEs to access vital sources of private investment.

Ultimately, we have yet to see that broad investment measures which are being put into place by the UK Government do provide substantive benefit to the creative economy – and just as importantly, that thoughtful significant interventions are designed which take a 'patient capital' approach and look to address real gaps in what type of finance is available at specific points to creative organisations of all shapes and sizes. In the context of a widely recognised need for different levels and flows of funding into and across the cultural and creative industries, Creative UK is intensely advocating for a complete data picture, a new Bank of Creativity, and greater specialist funding.

*Micro-Businesses Small and Medium Enterprises (SMEs): Small Threshold Changes*

The VAT taxable turnover threshold will rise to £90,000, up from £80,000. Whilst minor, this is still welcome for the many micro-businesses and early-stage SMEs. By allowing small or fledgling businesses to focus on growth at a critical point in their development, we hope that the UK will continue to be a hotbed of creative activity.

*Research and Development (R&D): More Funding... but not for the Cultural and Creative Industries This Time*

The cultural and creative industries and technology go hand-in-hand. If the UK wishes to remain competitive in creative spaces, then the UK must ensure that creative businesses are able to make use of cutting-edge technology. However, the lack of any specific details about how the two sectors will be integrated is a microcosm of the existing relationship between the creative and digital sectors in UK Government policy. While the UK Government recognises that the creative and the digital endeavours can work in synergy, it has yet to really consolidate efforts in proactively facilitating a symbiotic relationship between the two.

Recognising the scale of incredible R&D that takes place in the creative economy, and proactively facilitating more is vital to our sector, as this will allow creative businesses to design and adopt the tools needed for the industry to succeed. Therefore, the convening of an expert advisory panel to support Research and Development tax reliefs in the Technology and Life Sciences sectors may be a positive development, but it is unclear whether the cultural and creative industries will benefit. The November 2023 HM Treasury announcement of a significant review into existing R&D public spend (with a view to inform future decisions about potentially redirecting spend) didn't feature, although we know this work is underway. We want there to be some obvious correlation between the amount of GVA the cultural and creative industries generate and the amount of public R&D spend allocated.

*Technology: Artificial Intelligence (AI) Training*

R&D within the AI space continues to result in an increase in UK Government-sponsored programmes which may allow our sector to make effective use of new technologies.

For example, the £7.4 million AI Upskilling Fund pilot intended to help SMEs develop the AI skills of the future is good in principle as it would allow creative businesses to rapidly adapt to one of the most significant technological developments for the sector in history. Likewise, the DSIT-supported SME Digital Adoption Taskforce is set to be launched with the aim to investigate how to best support the adoption of digital technology by SMEs and boost productivity.

The task at hand for Creative UK is to advocate to the UK Government to ensure that cultural and creative industries have access to the above programmes on account of the massive transformative impacts posed by technology on the sector – namely, but not exclusively, generative AI.

*Developing the Creative Workforce: Apprenticeships and University Spin-Outs*

It is disappointing to learn that the £50m Apprenticeship Growth Sector pilot (announced in the 2023 Autumn Statement) won't apply to the cultural and creative industries. However, funding for the National Film and Television School (NFTS) extension (subject to a business case demonstrating value for money) will enable up to 200 new apprenticeship places per year; new cutting-edge courses including the use of AI; and improve facilities for students with physical disabilities, ensuring that the creative workforce continues to grow, be prepared for future challenges, and is more accessible through this specific route.

Continued consultation on (and the eventual planned implementation of) university spin-out policies (concerning researchers who want to use the results of their research as a foundation for a business venture) also represents an opportunity for universities to monetise R&D. Universities have until the end of May to report their own spin out practices, and planned consultations for proof-of-concept funds and shared Technology Transfer Offices will allow may grant creative research further access to funding and facilitate the commercialisation of intellectual property from smaller providers of Higher Education. We must therefore monitor developments carefully to ensure that creative research benefits from any changes to higher education policy and receives adequate support where necessary.

*Freelancers and the Self-Employed: National Insurance Contribution (NIC) Cuts*

Our cultural and creative industries are fundamentally reliant on the dynamism, flexibility and adaptability of freelancers which are core to models of working across the creative economy.

The UK Government's headline announcement of a 2% cut in NICs does, at face value, appear to be welcome. The combination of lower NICs for the self-employed (now at 6% compared to 8% for PAYE workers) and the fact that the proportion of freelancers within the creative workforce almost double that of the national proportion (at 27.30% compared to 14.19%) should mean that financial strain on freelancers is marginally reduced.

However, external analysis suggests that the freeze in income tax thresholds means that, whilst wages grow, so do taxable earnings. In fact, because of this, freelancers are worse off now than previously; and, therefore, insecurity caused by precarity hasn't really changed. There are a significant number of policy – and practical – measures that are needed to improve conditions for freelancers within the cultural and creative industries. Creative UK's refreshed work getting underway again with members on policy positions related to freelancing will make a broad range of recommendations.

**What was Left Out of the Budget entirely?**

In addition to the above measures, there were some notable absences in the Budget compared to what Creative UK continues to advocate for.

To work towards attracting greater private – and philanthropic investment– as well as effectively directing public investment – we need up to date empirical data to have a complete picture of levels and flows of funding into and across the cultural and creative industries. Regardless of what we know about our myriad successes, our sector will continue to face an uphill battle to attract investment without better data and insight as to the financial possibilities offered by the cultural and creative industries – and to get to the point where there are much more innovative financial products and services available to support growth. For this reason, Creative UK is disappointed that HMT has not yet committed to building a picture of the investment landscape. However, an ongoing HMT Select Committee inquiry into SME finance offers a chance to address this issue, so we are optimistic for the future on this front.

On the topic of constructing new investment vehicles for the cultural and creative industries, the announcement that the UK Government will use underutilised assets to invest via the Treasury's Office for Investment may signal a favourable attitude towards building a Bank of Creativity, learning from the successful Big Society Capital model. Creative UK continues efforts to secure a firm commitment towards the development of a wholesale financial and has timetabled policy development in this area for summer 2024.

Tax reliefs also go a long way in making the cultural and creative industries investor friendly, and for this reason we were again disappointed that many bespoke tax reliefs we called for were not included in the Budget. We believe that tax reliefs for video games, music production, live events, publishing, and fashion are needed to support those industries, and voiced this sentiment in our submission for the Budget. Moreover, the lack of a mention for R&D tax relief reform to ensure that R&D within the creative industries benefits from the same support as other R&D (reflected in the OECD Frascati definition of R&D) is another area where the Treasury could have stepped in to further support our sector.

Similarly, whilst the continuation of tax reliefs for theatrical and orchestral productions is great news, the venues themselves remain under pressure and in need of support, as evidenced by the direct funding made available to The National Theatre and Theatr Clwyd. For this reason, we believe that business rates reliefs for all cultural sites was a notable omission from the Budget.

With the self-employed and freelancers constituting 28.71% of the workforce (almost double the national average), we hoped that there would be greater support for this part of our community beyond cuts to NICs which only partially offset an increase in taxable income caused by taxation threshold freezes. We feel that the lack of a mention for a freelance commissioner and the ability of freelancers to build a pension pot in line with Pay As You Earn (PAYE) employees is of particular concern to our sector and is something we will continue to advocate for.

Regarding the development of the creative workforce, it was also a shame that the Budget did not commit to an overhaul of the apprenticeship levy. Given the predominance of SMEs within our sector, we believe that this is an oversight and neglects the chance to simultaneously support businesses and the workforce of the future.

We were also disappointed to see the Arts Pupil Premium continue to be shelved after its inclusion in the 2019 Conservative Manifesto. The £270 million in funding would enable students from diverse backgrounds to engage in creative subjects at school, and later enter the workforce; through its continued absence, challenges to equality, inclusion, and diversity in our sector are exacerbated.

**The Verdict**

Overall, given the difficult fiscal climate, the Budget is favourable towards the cultural and creative industries – although not as favourable as we would like. Subsector-specific policies bode well for the future, even though some measures are too narrow to remove the systemic barriers that exist which currently inhibit accelerated growth and greater resilience. Broader policies, however, require much more detail to earn our confidence as structural barriers to investment may prevent them from realising any potential for the cultural and creative Industries. Furthermore, some policies which would further benefit– namely the arts premium, a broader range of targeted tax reliefs, and greater protections for freelancers – are notably absent.

Crucially, the near-record low level of budget headroom (largely driven by NICs cuts and underperforming economic growth) makes it harder for the UK Government to allocate UK Government spend. Every spending choice is a political decision which shows where the UK Government's priorities lie. As a sector, we must continue to demonstrate to the government that we are on the right path to become an even greater economic, social, and political priority.

So, what will Creative UK do to achieve this? We will continue to engage with both Whitehall staff and representatives from all major parties ahead of the upcoming election (whenever that may be) to voice success stories from the sector, support our members to advocate and propose further policy solutions. The Creative UK UK Government General Election manifesto is under development – this will outline our key asks for all parties ahead of the election. And, most importantly, we will remain in conversation with *you*, the voice of the sector.