



***CREATE UK**

***CREATIVE
INDUSTRIES
STRATEGY**

ACKNOWLEDGMENTS

CREATIVE INDUSTRIES COUNCIL

Rt Hon Dr Vince Cable MP – Department for Business, Innovation & Skills (CIC Co-Chair)

Rt Hon Sajid Javid MP – Department for Culture, Media & Sport (CIC Co-Chair)

Nicola Mendelsohn – Facebook (CIC Co-Chair)

Hasan Bakhshi – NESTA

Josh Berger CBE – Warner Bros

Dinah Caine CBE – Creative Skillset

Baroness Bonham-Carter

– Liberal Democrats

Dan Cobley – Google

Adam Crozier – ITV

Jeremy Darroch – BSkyB

Alan Davey – Arts Council England

Katja Hall – CBI

Lord Hall of Birkenhead CBE – BBC

Andy Heath MBE – UK Music

Alex Hope OBE – Double Negative

Jason Kingsley OBE – TIGA

Paul Latham – Live Nation / Creative & Cultural Skills

John Leech MP – Parliament

Tim Lefroy – The Advertising Association

Ian Livingstone CBE – Eidos

Murdoch MacLennan – Telegraph Media Group

Patrick McKenna – Ingenious

John McVay – PACT

John Mathers – Design Council

Richard Mollet – Publishers Association

Amanda Nevill – BFI

John Newbigin – Creative England

Christopher North – Amazon UK

Andy Payne OBE – UKIE

Harry Rich – RIBA

Caroline Rush – British Fashion Council

Owen Sagness – Microsoft

Jeremy Silver – Technology Strategy Board

Sir John Sorrell CBE – Sorrell Foundation

David Sproxtton CBE – Aardman

Geoff Taylor – BPI

Stewart Till CBE – Sonar

Entertainment, Icon Entertainment UK/
Creative Skillset

Ed Vaizey MP – Department for Culture,
Media & Sport

STRATEGY SUBGROUP LEADS

Access to Finance: **Caroline Norbury** MBE
(Creative England)

Education & Skills: **Dinah Caine** CBE
(Creative Skillset)

Infrastructure: **Tim Lefroy**
(The Advertising Association)

Intellectual Property: **Geoff Taylor** (BPI)

International: **Tim Davie** (BBC Worldwide)

CONTENTS

INTRODUCTION	02
VISION FOR 2020	04
ACCESS TO FINANCE	06
EDUCATION & SKILLS	10
INFRASTRUCTURE	14
INTELLECTUAL PROPERTY	18
INTERNATIONAL	22

INTRODUCTION



IT'S AN EXCITING AND PIVOTAL TIME FOR THE UK'S CREATIVE INDUSTRIES. RECENT STATISTICS¹ SHOW THE SECTOR PUNCHES ABOVE ITS WEIGHT FOR THE ECONOMY, GENERATING £71.4 BILLION GROSS VALUE ADDED (GVA) IN 2012 – A 9.4 PER CENT INCREASE THAT SURPASSES THE GROWTH OF ANY OTHER UK INDUSTRY SECTOR.

The creative industries generate value that spreads far wider than the sector itself: as a key part of a wider supply chain; as a driver of business for other sectors; and with 866,000 people in creative occupations outside of the sector, in addition to the 1.68 million jobs within the sector in 2012.

The UK is a world leader when it comes to the creative industries and they play an important role in shaping how the rest of the world perceives the UK. But we are trading in an increasingly competitive marketplace and cannot take our position for granted. Standing still is not an option. We need to take action now to ensure we are inspiring and equipping the next generation of talent, helping creative businesses to start-up and grow and maintaining the UK's competitiveness against other international markets.

We've based this strategy along the same principles adopted by the government's industrial strategy programme – developed for and by industry, a shared vision, action oriented – because we truly believe that our sector is as vital to the UK's economy as the more traditional powerhouse industries. Government should now make the creative industries one of its official industrial strategy sectors to build on this UK success story. The size, importance and competitive advantage of the UK's creative industries sector means it merits this level of attention from government. If industry and government work together to support the creative industries, we can ensure the sector continues to grow from strength to strength and achieve our mission of using British creativity to inspire the UK and the world.

Individually, the performance of the diverse component industries within the sector is impressive. But the story gets even more exciting when we look at the bigger picture. The aim of this strategy is, for the first time, to unite the different parts of the creative industries behind common goals and to speak with one voice on the issues that cut across the sector.

This strategy was commissioned and developed by the industry members of the Creative Industries Council (CIC), the joint industry and government group co-chaired by myself and the Secretaries of State for Business, Innovation & Skills and Culture, Media & Sport, with representatives from across the sector, both from industry and from the trade associations and public bodies that support it².

The CIC has been up and running for three years, and this strategy builds on the excellent work already produced by our working groups during that time, including reports on access to finance³ and skills⁴, and publications by Council members including Nesta, the Confederation of British Industry and the Next Gen Skills campaign⁵.

THE SECTOR GENERATED £71.4 BILLION GROSS VALUE ADDED (GVA) IN 2012

03

This strategy sets out the opportunities and challenges for the sector, our vision for the creative industries by 2020 and how we will achieve it, with recommendations for both industry and government. The CIC identified five priority areas for focus in this strategy: access to finance; education and skills; infrastructure; intellectual property; international (exports and inward investment).

Underpinning all this, we also identified three things that are fundamental to the future success of the UK's creative industries: data; cultural environment; and innovation. We need a comprehensive, internationally comparable and consistent data set that fully reflects the economic activity of the sector. The latest statistics from the Department for Culture, Media & Sport were a welcome step forward in setting out a standard definition of what we mean by creative industries and how it will be officially measured from now on, but there is still work to be done to make sure that the data accurately reflects all parts of the sector and does not exclude the large part of the sector that exports creative goods. It is also vital for future growth that we build on our long history of excellence in the arts and culture and the talent it nurtures, to develop an ecosystem that brings together creativity and culture with technology, research and innovation. Our creative industries also benefit from a unique and sophisticated ecology of public and private funding that gives the UK significant competitive advantage. A range of public and independent institutions provide a framework of support for new ideas, innovation, entrepreneurship and the development of talent that together help stimulate private investment and promote commercial success.

The recommendations for each area were developed by a working group and informed by wider engagement with the sector and beyond. Consultation varied from questionnaires to in-depth interviews to open workshops — for example, over 120 people attended one of the four sessions held in London and Manchester on international issues. I would like to thank every person who contributed to this strategy development, and in particular to the five priority area subgroup leads — Caroline Norbury, Dinah Caine, Tim Lefroy, Geoff Taylor and Tim Davie — for their time and energy in driving the work forward. Also thank you to Janet Hull who led the marketing for the launch and an enormous thank you to Lucy Philippson for everything that she has done in driving this strategy to become a reality. It wouldn't have happened without you!

With the proposals set out in this strategy I feel confident that we will continue to secure the UK's place as a leading global hub for the creative industries for the decades to come.



Nicola Mendelsohn
Industry Co-Chair, Creative Industries Council
VP EMEA, Facebook

THE CREATIVE INDUSTRIES SECTOR IS IN AN EXCELLENT POSITION TO GROW, AS IT BUILDS ON A VERY STRONG BASE:

- £1 of advertising spend generates £6 for the economy. The £16 billion spent on UK advertising in 2011 generated £100 billion in the UK economy⁶.
- The UK is a recognised global leader in the field of architectural education and there are around 15,000 students currently distributed amongst 47 schools of architecture in the UK⁷.
- Craft is a core component of the UK's thriving creative industries, employing over 100,000 people and showing an above average increase in Gross Value Added (GVA) between 2008 and 2012⁸.
- The UK has the second largest design sector in the world⁹ and design accounted for £131 million of services exported in 2011¹⁰.
- In 2012, British films earned a worldwide gross of \$5.3 billion, which amounted to 15% of global box office¹¹. The UK is the second largest exporter of television in the world by hours behind the United States¹². International sales from UK TV programmes were £1.2 billion in 2012¹³.
- Fashion's total contribution to the economy via indirect support for supply chain industries and induced spending of employee's wage income is estimated to have risen to over £46 billion¹⁴.
- IT, software and computer services increased employment by 15% between 2011 and 2012, to over half a million jobs¹⁵. The UK games industry, which is the largest in Europe, is responsible for creating some of the most recognisable games in the world¹⁶.
- The UK is home to some of the world's biggest publishing companies. The estimated value of the entire UK publishing industry is £10 billion¹⁷, with 40% of revenues coming from exports¹⁸.
- The UK music industry generates around £3.5 billion globally¹⁹ and is the largest global exporter of music after the United States²⁰.
- The arts in England created a GVA of £5.9 billion in 2011²¹.

More sector stats and case studies can be found at the new online hub for the creative industries –

www.thecreativeindustries.co.uk

NOTES

1 *Creative Industries Economic Estimates*, DCMS: January 2014
2 A full list of members is on the Acknowledgments page.
3 *Creative Industries Council Access to Finance Working Group Report*: December 2012
4 *Creative Industries Council Skillset Skills Group Report*: January 2012
5 *A Manifesto for the Creative Economy*, Nesta: April 2013; *The Creative Nation*, CBI: January 2014; Livingstone Hope Next Gen. *Transforming the UK into the world's leading talent hub for the video games and visual effects industries*: January 2011
6 *Advertising Pays*, Advertising Association & Deloitte, January 2013
7 *Architects' Journal*

8 *Creative Industries Estimates*, DCMS: January 2014
9 *International Design Scoreboard*, Design Council and Institute for Manufacturing: 2009 www.ifm.eng.cam.ac.uk/uploads/Research/CIG/090406int_design_scoreboard.pdf
The Design Council believe that the Creative Industries economic estimates for design exports are a very conservative figure and that a substantial amount of design contribution is not being accounted for when estimating the value of design exports.
10 *Creative Industries Estimates*, DCMS: January 2014
11 *British Film Institute Statistical Yearbook*, BFI: 2013
12 www.gov.uk/government/news/budget-boost-for-creative-industries
13 *UK TV Exports report*, PACT: 2013
14 *British Fashion Council / Oxford Economics*: 2014
15 *Creative Industries Estimates*, DCMS: January 2014

16 *Video Games*, UKTI www.ukti.gov.uk/export/sectors/creativemedia/videogames.html
17 *Creative Industries Estimates*, DCMS: January 2014
18 *Statistics Yearbook*, Publishers Association: 2012
19 *UK Music* www.ukmusic.org/assets/general/The_Economic_Contribution_of_the_Core_UK_Music_Industry_WEB_Version.pdf
20 *ibid*
21 *The Contribution of the Arts and Culture to the National Economy*, CEBR: 2013 www.artscouncil.org.uk/advice-and-guidance/browse-advice-and-guidance/contribution-arts-and-culture-national-economy

VISION FOR 2020 AND MEASURING SUCCESS

Our Mission Statement for the sector is:

USING BRITISH CREATIVITY TO INSPIRE THE UK AND THE WORLD.

This strategy will help deliver this mission by setting out a plan to reinforce the UK's place as world leader for the creative industries. Our vision of success for the UK's creative industries by 2020 is set out below, accompanied by ways of measuring that success.

OVERALL

- Government and industry working in partnership to put creative industries at the heart of the growth agenda, as the most important growth sector to the UK economy
- Ensuring a business, regulatory and fiscal environment that encourages the creation of, investment in and commercialisation of Intellectual Property (IP) assets, so UK creative businesses can start up, succeed and grow and the UK is seen internationally as an attractive place to do business
- Having support for the UK's creative industries at all levels of government and across all departments
- Recognising that the greatest creativity is fuelled by difference, openness and diversity of talent

Success measures:

- Grow the percentage of the UK workforce that is employed in creative occupations — the creative economy (Baseline: DCMS Economic Estimates);
- Increased creative industries share of UK's employment and GVA²² (Baseline: DCMS Economic Estimates²³)
- Increased number of creative industries enterprises as a percentage of overall number of businesses (Baseline: ONS Business Demography and UK Business: Activity, Size and Location)
- Better joining up across government departments on creative industries issues; All government departments consider creative industries when making decisions; Having a government minister present at all key creative industry events
- Increased diversity of the creative industries workforce, with the proportion of female and Black Asian and Minority Ethnic (BAME) staff rising to match proportions for the UK population as a whole (Baseline: DCMS Economic Estimates and Labour Force Survey)

NOTES

²² GVA measures the contribution to the economy of each individual producer, industry or sector in the UK, including both UK and export revenues.

²³ When measuring the economic value of the music industry to GVA (£3.5bn p/a 2012) UK Music had to use bespoke methodology due to flaws in the way SIC and SOC codes capture the value of music in the national accounts. Such bespoke measurement was only possible with the

cooperation of the ONS. DCMS later reported that "industry and occupation codes do not allow the contribution of music to be satisfactorily identified in a separate category" (*Creative Industries Economic Estimates*, DCMS: Jan 2014). UK Music asks Government to commit to working with UK Music to ensure the revision of the SIC and SOC codes in 2017 results in codes that more accurately reflect the music sector in the national accounts.

²⁴ Young people across the UK who take all types of schools-based qualifications (GCSEs, A Levels, Diplomas and entry level certificates) in the following subjects: Art & Design, Design & Technology, Performing/expressive arts (covers Dance), Drama, Media/Film/TV studies and computer science.

ACCESS TO FINANCE

- Creative industries businesses having greater knowledge of how to access and win finance
- Finance community having greater understanding of creative industries opportunities and choosing to invest in or lend to them
- Having a vibrant and thriving sector with a wide range of financing options and incentives, so that companies that want to are able to grow and take their business to a new level

Success measures:

- Increased number of creative industries enterprise births in the UK as a proportion of overall number of enterprise births and increased proportion of new creative industries enterprises surviving after one year (Baseline: ONS Business Demography)
- Increased number of creative industries companies receiving investment and value of investments (including from government schemes) (Baseline: British Venture Capital Association and Department for Business, Innovation & Skills)
- Increased number of UK creative industries businesses with turnover of more than £5 million as a proportion of overall number of businesses with turnover of more than £5 million (Baseline: ONS UK Business: Activity, Size and Location)

EDUCATION AND SKILLS

- Having an education and careers system that inspires and supports the next diverse, creative fused generation
- Increased employer investment in and ownership of skills development meaning more and better ladders of opportunity

Success measures:

- Increased share of entrants in subjects related to the creative industries²⁴ at school (Baseline: Joint Council for Qualifications, Ofsted; Department for Education)

- Increased proportion of creative training (FE and HE) courses gaining accreditation from industry recognised quality marks; increased employment rate of creative graduates (Baseline: Supply Mapping research by Creative Skillset — includes admissions and destinations data from Higher Education Statistics Agency and Skills Funding Agency)
- Increased number of creative industries apprenticeships starts (Baseline: Skills Funding Agency/BIS) and increased proportion of creative industries firms offering training (Baseline: UK Commission for Employment and Skills, 'Employer Skills Survey')

INFRASTRUCTURE

- Having one of the most advanced communications infrastructures in the world
- Having a regulatory environment that enables the UK to be a competitive place to do business
- Government departments being a better customer to creative industries
- Promoting 'powerhouse clusters' at home and abroad

Success measures:

- To be in the top five countries in the world for digital infrastructure (Baseline: ICT use, World Economic Forum, Global Competitiveness Report) Moving to a higher place in global business regulation rankings (Baseline: World Bank Ease of Doing Business Report)
- Improved industry feedback on government procurement processes and increased numbers of creative industries businesses winning contracts (Baseline: Crown Commercial Service Framework Agreement Listing)
- Increased contribution to employment and GVA growth from creative clusters identified as powerhouse clusters (Baseline: Inter-Departmental Business Register and NOMIS Official Labour Market Statistics)

INTELLECTUAL PROPERTY

- Better understanding by the general public of the importance of IP rights
- Robust support for copyright from UK Government at home and in international fora, promoting licensing and backed by effective enforcement
- An Intellectual Property Office (IPO) that is transparent, engages with business and makes evidence-based decisions

Success measures:

- Reduced level of illegal downloads and copyright infringement (Baseline: Ofcom Online Copyright Infringement Tracker)
- Increased contribution from creative activity in the economy (Proxy indicator: increase in GVA share of creative industries. Baseline: DCMS Economic Estimates)
- IPO reports annually on activity supporting the growth of the creative economy (Baseline: IPO Annual Report)

INTERNATIONAL

- Doubling the value of creative industries services exports
- Getting more UK creative businesses exporting
- Winning a greater share of inbound Foreign Direct Investment

Success measures:

- Increased value of creative industries services exports (from £15.5 billion in 2011 to £31 billion in 2020) (Baseline: DCMS Economic Estimates)
- UKTI to have helped 15,000 creative industries companies to export per year by 2020 (up from 7,500 in 2013/14). As a sector, to increase number of creative businesses exporting by 20% (Baseline: UKTI, UK Performance and Impact Monitoring Survey)
- Increased UK share of the global market for inbound Foreign Direct Investment (from 10% of projects in 2009-2013 to 15% in 2020) (Baseline: UKTI)

ACCESS TO FINANCE

CONTEXT

ACCESS TO FINANCE HAS BEEN IDENTIFIED AS ONE OF THE MAJOR CHALLENGES TO FUTURE GROWTH AND MATURITY IN THE UK CREATIVE INDUSTRIES. A LARGE PROPORTION OF THE SECTOR IS MADE UP OF SMALL BUSINESSES SO IT IS CRUCIAL THAT THE UK'S BUSINESS ENVIRONMENT ENABLES SUCH COMPANIES TO BE BORN, THRIVE AND REGENERATE. WHILE START-UPS AND INDIVIDUAL CREATIVE PROJECTS ARE NOW SERVED BY A RANGE OF FUNDING SOURCES, ESTABLISHED BUSINESSES LOOKING TO TAKE THE NEXT STEP AND SCALE THEIR OPERATIONS STILL FACE A FINANCING GAP.

Better access to a wider range of funding sources could help these businesses to grow and expand their workforce, and to retain ownership of their intellectual property (IP) within the UK. Building on Ian Livingstone's report²⁵ to the Access to Finance Working Group in December 2012, this strategy puts forward a set of recommendations for action by the creative industry itself and by government, aimed at facilitating access to finance for creative businesses seeking to scale their operations.

While creativity is thriving in the UK, many businesses struggle to make the step from executing successful projects to becoming fully fledged, sustainable creative businesses. Most privately-owned creative businesses remain small, and employment for many can be precarious²⁶. Despite its reputation for world-class content, the UK has very few creative businesses of an international scale (and not enough work has been done to understand why). Often, companies that achieve early success are acquired by a large international player, rather than building sustainable businesses in the UK. While we want the UK to continue to be an attractive country for inward investment, it is vital that those companies that want to grow organically have the means to do so.

CHALLENGES AND OPPORTUNITIES

The problems faced by businesses in sourcing financing for expansion are not necessarily caused by a lack of available funding, although there are subsector specific variants; for example, a lack of seed development for video games and company investment in film businesses. However, common to most creative industries subsectors there appears to be a gap in the provision of private funding and debt finance for business expansion and growth that goes beyond initial start-up or individual projects.

Businesses tend to face two major challenges in accessing the finance that they need to grow. First, information on available funding and financing options is often fragmented and hard to navigate, and management teams lack experience in how to position themselves appropriately. Second, the business models of creative businesses are not always readily understood by investors and lenders, largely because a lack of data and market intelligence renders it hard to quantify value in the sector or compare across investment opportunities.

NOTES

²⁵ Creative Industries Council Access to Finance Working Group Report: December 2012.

²⁶ More than seven out of every 10 jobs in music, the performing and visual arts, for example, were self-employed in 2012. *Creative Industries Economic Estimates*, DCMS: January 2014

²⁷ Creative Industries Council Access to Finance Working Group Report, December 2012

²⁸ *ibid*

²⁹ Bakhshi, Hargreaves and Mateos-Garcia (2013), *A Manifesto for the Creative Economy*, Chapter 7, London: Nesta

³⁰ www.nesta.org.uk/publications/manifesto-creative-economy; Bakhshi and Mateos-Garcia (2010), 'The Innovation Game: Adjusting the R&D Tax Credit; boosting innovation in the UK video games industry', Nesta Policy Briefing www.nesta.org.uk/publications/innovation-game

THE DIFFICULTY IN ACCESSING FINANCE PUSHES MANY CREATIVE SECTOR SMEs TO RELY ON PROJECT FINANCING.

07

A fragmented funding landscape

There is a clear knowledge gap among creative businesses, both when it comes to where and how to access external financing. Most small businesses typically rely on bank loans but bank lending to UK businesses has shrunk every year since 2009²⁷.

A range of alternative financial instruments are available, from innovation grants, R&D tax credits and growth funding from Venture Capital Trusts, under the Enterprise Investment Scheme or pure venture capitalists. The rapid growth of crowd-funding and peer-to-peer lending is providing a new source of funding for creative businesses, although it is still in a stage of relative infancy.

The number and variety of these sources – and their applicability to businesses of scale – varies significantly from subsector to subsector: for those operating in arts and culture, the bulk of funding is targeted at funding individual projects; whereas fashion and TV are better served with sources of credit for scalable growth businesses. Improving knowledge within the creative industries about the opportunities and pitfalls of different types of lending, and their suitability at different stages of business growth, is a key requirement for developing a sustainable pattern of access to finance.

This needs to be coupled with greater ‘investment readiness’ among creative businesses and an ability to articulate their value to potential investors. A lack of knowledge or experience in this area is a reflection of the stage of maturity of businesses that seek external financing: many are led by owners whose primary focus and expertise has hitherto been creative production rather than business management or finance.

Investor and lender understanding of the creative sector

The second major challenge is a lack of understanding within the investor and lending community of the opportunities for investment in the creative sector and how to evaluate them. Banks report difficulties in assessing the risks associated with lending to businesses whose main assets are IP-based (yet often not held in traditional forms of IP or patents). This is not the case across the board – some large lenders have specialist teams focused on the creative sectors, but this expertise is typically centralised in headquarters and its impact not felt in local branches.

This problem is exacerbated by the fact that there are too few finance houses with specialist media and creative sector credentials as distinct from generalist providers like banks. Among equity investors, willingness to invest is dampened by an absence of data and market intelligence that would illustrate the nature of growth opportunities and facilitate comparisons between the attractiveness of potential investments. Across the sector, there is a lack of existing case studies on successful growth, returns and investor exits, which often form a significant part of the market intelligence used in the due diligence process for deals involving smaller companies. The current data gap means that potential investors can incur significant costs in gathering information and assessing risks associated with specific opportunities, making small-scale investments in early stage venture capital an unattractive proposition for many investors²⁸.

Benefits of improved access to finance

Improving access to relevant external financing is key to helping more creative businesses reach the next stage of development and could realise several benefits for the sector and the UK economy.

● *Retaining IP within the UK:*

The difficulty in accessing finance pushes many creative sector SMEs to rely on project financing, which is often coupled with the relinquishing of IP rights over content. For established creative businesses, the most attractive way of securing financing and growing independently is often to sell assets to a larger international group (including private equity houses). Easier access to financing at home would provide creative businesses with a wider range of options, potentially allowing them to retain high-value IP assets in the UK.

● *A more vibrant and thriving sector:*

Supporting the development of more large creative businesses is positive for success and employment in the sector as a whole. Large businesses can, in turn, offer opportunities to SMEs, micro-businesses and sole traders, helping build a more vibrant and sustainable creative industries ecosystem in the UK.

RECOMMENDATIONS

There are three principal players in the access to finance equation: the creative industries themselves, the financial community and the government. Solutions to the challenge of access to finance can only be achieved by all three actors working together in a cooperative way.

Recommendations focus primarily on supporting those ‘scale-up’ businesses where access to finance will make it possible for them to grow into sustainable employers and IP creators for UK plc. This approach recognises that there is not necessarily a requirement for more grants or subsidies for the sector. Rather, we advocate action in areas where support or policy changes can support an expansion of private financing.

DEVELOP AND PROMOTE A 'TOOLKIT' AND FRAMEWORK FOR MORE EFFECTIVE EVALUATION OF CREATIVE BUSINESSES BY POTENTIAL INVESTORS.

A) INDUSTRY (CREATIVE AND FINANCIAL SECTORS) SHOULD:

- **Build awareness and skills among creative businesses** – Develop information and practical resources for creative businesses on the sources of funding available and the associated requirements from potential financiers (for instance the specific rules governing Venture Capital Trust or Enterprise Investment Scheme investment); work with trade association partners (e.g. AIM, TIGA, Ukie, UK Music, PACT, CBI) and with professional advisors to creative businesses (e.g. lawyers, accountants) to cascade this information to businesses on the ground.
- **Improve the effectiveness of the investment decision-making process** – Develop and promote a 'toolkit' and framework for more effective evaluation of creative businesses by potential investors, based on three pillars:
 - A resource of market intelligence, case studies of growth, success and returns, to support the investor community on the nature of creative industry business models, the value of creative IP, and the risks and opportunities associated with investment. Work with financial services trade bodies (e.g. UKBAA, BBA, BVCA, ICAEW) to market the information through their channels and incorporate into existing industry professional development;
 - A set of tools for investment and lending appraisal, primarily to measure the value of IP assets more effectively and provide better comparative measures for creative content investment opportunities. This would address the lack of appropriate tools available to many bank lenders, and supplement existing tools and procedures used by equity investors. Tools would be based on those already developed by the Intellectual Property Office and piloted with a small number of financial institutions.

- A comprehensive dataset and industry standard report. An annual market intelligence report providing year-on-year tracking of key datasets to illustrate the size and shape of the industry, key trends affecting it, and the volume and type of financing used by businesses, based on data submitted anonymously by industry participants.
- **Market success stories in the creative industries** – Produce concerted marketing and PR that targets the financial community, to identify and showcase successful business leaders in the creative sector. Potential avenues include partnering with media outlets to produce profiles and/or hosting awards for top business leaders in the creative sector.
- **Establish an exchange scheme between the creative industries and wider business community** – Enhance cooperation and information sharing between the creative industries and business leaders to professionalise the management aspects of creative businesses of scale. Based on the successful model developed by the Whitehall & Industry Group, the scheme should coordinate staff exchanges between the creative industries, the financial sector and the wider business community.

B) GOVERNMENT SHOULD:

- Work with stakeholders and partners in the CIC Access to Finance Working Group to support industry in delivering the above recommendations over the next three years.
- Agree to consider and evaluate a three year exemption from Capital Gains Tax (CGT) for creative businesses, recognising that CGT accounts for only a very small proportion (c.1%) of tax collection.
- Ensure that Venture Capital Trust and the Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS) are focused on supporting new

companies and projects. The motivation for fiscal reliefs must be to ensure that the UK is internationally competitive and to incentivise investment in creative businesses that register and retain creative copyright/IP within the UK.

- For the 2014 Autumn Statement, consider the case for new fiscal incentives that incentivise investment in the creation and commercialisation of IP in the UK, including (for example) an analysis of the impact of including creative IP in the Patent Box and the extension of R&D tax relief to expenditures by creative businesses aimed at aesthetic advances and user testing²⁹, taking into account the benefits to the wider economy and comparing with incentives available in competitor countries.
- Establish a specific strand in the British Business Bank dedicated to the creative industries, that would:
 - Play a coordinating role between sources of equity and debt in the creative industries; embracing the tools and specialist approaches proposed in this document to facilitate the provision of finance to the sector.
 - Administer finance schemes and develop funding platforms dedicated to the creative industries.
- Explore the current structure of existing government-funded grant programmes and whether they are serving the creative industries to best effect; for example the paucity of seed funding for video games.
- Publish data on the amount of government support for the creative industries through fiscal relief on investment and grant programmes, benchmarked against other sectors.



EDUCATION & SKILLS

CONTEXT

TO BOOST THE CREATIVE INDUSTRIES' COMPETITIVENESS, THE UK NEEDS AN INDUSTRY-LED SKILLS SYSTEM THAT ENABLES GROWTH IN COMPANIES OF ALL SIZES AND SUPPORTS ENTRY TO AND PROGRESSION WITHIN THESE INDUSTRIES FOR INDIVIDUALS FROM ALL BACKGROUNDS. THIS MUST BE UNDERPINNED BY AN EDUCATION SYSTEM THAT INCLUDES A COMMITMENT TO CREATIVITY AND THAT SUPPORTS YOUNG PEOPLE INSPIRED TO PURSUE A CAREER IN THE CREATIVE INDUSTRIES.

Since the CIC Skills Group's January 2012 report³⁰ there has been a step change in joint action to address the key issue of industry ownership and investment in skills. To date, around £90 million of new industry and public co-investment has been generated to drive forward the report's recommendations, plus further investment by a number of employers.

Some notable sector achievements over the last two years have included:

- The inclusion of computer science as part of the science element of the English Baccalaureate, a key goal of the Next Gen Skills Campaign.
- The recognition, following research³¹ and business intelligence, that in order to future proof this innovative sector, everyone working in them will need to have a fusion of creative, digital, STEAM (Science, Technology, Engineering, Arts, Maths) and business skills.
- Over 200 Higher Education courses and Apprenticeship programmes across creative subjects achieving the Creative Skillset Tick accreditation.
- Over 4,200 apprenticeship starts, creation of new higher apprenticeships and more paid internships, supported by new entrant schemes from Warner Bros, BBC, Channel 4, ITV, Sky and through the Institute of Practitioners in Advertising's Creative Pioneers, Creative Access placement scheme and Arts Council England's Creative Employment Programme, which is being delivered by Creative & Cultural Skills.
- The expansion of DCMS and Creative Skillset's Skills Investment Fund (SIF) to four new sectors in addition to film, with two new industry levies set up and collective funding agreed in high-end TV, animation, VFX and games.
- A fuller list of achievements can be found in the strategy supporting documents on www.thecreativeindustries.co.uk

CHALLENGES & OPPORTUNITIES

Undeniably, there has been a lot of progress but there are still challenges to tackle. The increased business activity in the sector as a result of the welcome film, TV and animation tax reliefs (with video games soon to take effect), combined with the significant number of creative occupations across other sectors of the economy³², means there is a growing need for increasing numbers of people with the right skills and experience.

STUDY A FUSION OF CREATIVE, TECHNICAL, SCIENTIFIC AND ENTREPRENEURIAL SUBJECTS.

11

In order to support this growth and remain competitive, we need to up our game in the following areas:

- *Nurturing the skills of the next creative generation:* Marginalisation of creative subjects in the curriculum, insufficient specialised training for teachers and lack of consistent careers advice can mean many young people – and their parents – are discouraged from following a creative path. Young people should be able to study a fusion or combination of creative, technical, scientific and entrepreneurial subjects. The education system should support creativity by promoting STEAM (Science, Technology, Engineering, Arts, Maths) and not just STEM.
- *Supporting talent for growth:* Creative companies often struggle to fill positions due to a shortage of supply of individuals at all levels with the right combination of skills. There is therefore an increased demand for quality entry level and Continuous Professional Development (CPD) training.
- *Bringing information to market:* Signposting quality provision of training through accreditation helps individuals and employers to make informed choices on relevant, high quality courses.
- *Management and leadership skills:* Companies of all sizes need to develop leadership and management skills to help them build efficient business models. This is particularly important for the creative sector, where the majority of businesses are SMEs or smaller, but need leaders with the skills to make the business thrive.
- *Connecting up:* Better coordination of skills support at local, national and international level would achieve more simplicity in communication, economies of scale and better delivery.

- *Diversity:* The demographics of the creative industries are a long way from reflecting the population as a whole, with certain groups remaining significantly under-represented, resulting in lost opportunities for business.

RECOMMENDATIONS

A) INSPIRING THE NEXT CREATIVE GENERATION

Industry and government should:

- Ask that the Ofsted inspection framework requires all schools and wider education providers to evidence their commitment to a broad and balanced curriculum including opportunities for young people to study a fused combination of creative (see note about STEAM above), technical, scientific and entrepreneurial subjects. Ofsted should be required to produce an annual assessment report for the CIC to show progress on this commitment³³.
- Support the teaching of creative subjects, Intellectual Property awareness, computing and enterprise/business skills in the school curriculum.
- Celebrate and promote the spread, breadth and value of the creative industries for learners, parents and educators by:
 - Co-ordinating a creative industries-themed day/week as a careers 'Milkround' for schools; opening up creative industries workplaces and supporting flagship careers events; and utilising existing programmes better, such as National Apprenticeship Week, Back to School Week etc;
 - Joining up online and offline career resources, such as Creative Choices, IdeasTap and Hiive, with other career networks such as National Careers Service and increasing awareness and engagement of these resources;

- Connecting existing organisations such as STEMNET, Speakers for Schools and Inspiring the Future with creative industries ambassadors and speakers; and
- Industry adopting schools and strengthening direct partnerships at a local level.
- Align education and skills priorities and work across the Creative Industries Council (CIC), Cultural Education Partnership Group³⁴ and Cultural Education Board³⁵.

B) LADDERS OF OPPORTUNITY

Government should:

- Incentivise employers to co-invest in training and expand existing schemes such as the Creative Employment Programme and Skills Investment Fund (SIF) (for trainees and CPD) to cover the whole creative industries sector.
- Consult with the sector to ensure that changes to the apprenticeship system work well for the creative industries³⁶.

Industry employers should:

- Increase opportunities that bridge the gap between study and the world of work, with a focus on paid internships and apprenticeships. Although it can be difficult for SMEs in particular to find the capacity to engage in apprenticeships and training, the longer term benefits are often substantial and worth the initial outlay.
- Take a pioneering role in the development of Apprenticeships and Higher Apprenticeships under the new Trailblazers scheme³⁷.
- Create content for and support online career-development platforms such as Hiive, to help those entering and progressing in the industry and to increase mentoring and CPD opportunities, particularly for freelancers.
- Work jointly on collective arrangements to support affordable training for freelancers and open up company-run CPD opportunities.

OVER 4,200 APPRENTICESHIP STARTS.

- Develop a fused CPD programme that equips people with the right management and leadership skills.
- Share models of CPD to identify best practice and targets – including looking to other sectors to benchmark against and identifying how best to support ‘zig-zag’ career development between the various subsectors.
- Alongside providers (including Further and Higher Education) and public stakeholders, continue supporting, promoting and expanding industry-led course accreditation schemes, such as the Creative Skillset Tick, that signpost to courses that best meet employers’ needs.

C) GROWING CREATIVE COMPANIES

Industry should:

- Produce and participate in research programmes that identify skills gaps, shortages and diversity trends.
- Build on the proven success of creative business mentoring by joining up and expanding existing programmes run by Creative England, Creative Skillset and Nesta, and develop the ‘Virtual Boards’³⁸ concept, peer-to-peer and online mentoring services to enable businesses of all sizes to connect and share experience and expertise.
- Consider using Group Training Association (GTA)³⁹ models to help smaller businesses collaborate on and increase training

opportunities that might be difficult to organise separately.

- Recognise the importance of bringing together research and innovation expertise with creative businesses and build relationships with universities and research bodies, like the Technology Strategy Board (TSB) and the Arts & Humanities Research Council (AHRC) Creative Economy Knowledge Exchange⁴⁰.
- Skills bodies should work in partnership with Local Enterprise Partnerships and local stakeholders (including those from Further Education and Higher Education institutions) to support the development and delivery of skills action plans that join local with national initiatives.

Government should:

- Incentivise industry to invest in and take ownership of their skills solutions through co-investment opportunities, particularly to meet the increased demand for skills following the introduction of tax reliefs for creative sectors.
- Amend or remove HMRC regulation that uses provision of training as a factor in assessing employment status, which therefore disincentivises employers from offering training to freelancers.

D) ATTRACT AND RETAIN TALENT THAT REFLECTS OUR DIVERSE SOCIETY

Industry (working with public bodies where relevant) should:

- Put greater focus on diversity monitoring, including in research programmes, to inform the implementation of this strategy and future strategies and action to address issues of under-representation across the industry and the associated problems for business.
- Take action to recruit, retain and support diverse talents and skills – for instance, making changes to recruitment and employment practices and making better use of training, peer group development and mentoring schemes.
- Sign up to existing good practice that promotes fair opportunities (eg. the Creative Diversity Network diversity pledge⁴¹ and Creative Skillset’s Guidelines for work placements⁴²).
- Ensure all training activities offer fair access and incorporate opportunities for under-represented groups to apply through the provision of training bursaries and/or equal access schemes (such as Creative Access and Women in Film & TV Mentoring Scheme).
- Support targeted diversity campaigns, at all levels, to address discrepancies between the make-up of the industry and the wider UK population.

NOTES

30 Creative Industries Council Skillset Skills Group Report: January 2012

31 Such as *The Brighton Fuse final report*, October 2013: www.brightonfuse.com/the-brighton-fuse-final-report/

32 Creative Industries Economic Estimates, DCMS: January 2014. P9: “0.87million jobs are in creative occupations outside the Creative Industries”

33 Echoing the ‘asks’ of the Cultural Learning Alliance and the Schools strand of the CIC Skills Group.

34 Cultural Education Partnership Group: Arts Council England, Heritage Lottery Fund, British Film Institute, English

Heritage: www.artscouncil.org.uk/what-we-do/our-priorities-2011-15/children-and-young-people/cultural-education-partnership-group/#sthash.RxNilYdF.dpuf

35 Board convened by Ministers in DCMS and DfE and chaired by Darren Henley, following the report on Cultural Education.

36 This was one of the recommendations of the CBI’s *The creative nation: a growth strategy for the UK’s creative industries* (p.14): www.cbi.org.uk/media/2535682/cbi-creative-industries-strategy-final.pdf

37 Pilots for new Apprenticeship Frameworks under the principles of the Richard Review recommendations.

38 Virtual Boards is a Creative Skillset scheme to give future business leaders practical business support and advice to meet their specific company needs: <http://blog.skillset.org/index.php/2013/06/virtual-boards-what-they-are-and-why-you-need-them/>

39 www.gta-england.co.uk/

40 www.ahrc.ac.uk/What-We-Do/Strengthen-research-impact/Knowledge-Exchange-and-Partnerships/Pages/Creative-Economy-Knowledge-Exchange-Projects.aspx

41 www.creativediversitynetwork.com/resource/diversity-pledge/

42 http://hire.creativeskillset.org/work_placements



INFRASTRUCTURE

CONTEXT

INFRASTRUCTURE – BOTH PHYSICAL AND ORGANISATIONAL – IS CRITICAL TO THE SUCCESS OF UK INDUSTRY. INVESTORS AND ENTREPRENEURS NEED A STABLE, SUPPORTIVE AND FUTURE-PROOF FRAMEWORK IN WHICH TO OPERATE. THE SAME IS TRUE OF THE UK'S CREATIVE INDUSTRIES. CREATIVE THINKERS NEED CLEAR STRUCTURES IN PLACE TO FACILITATE INNOVATION, INWARD INVESTMENT, CULTURAL LEADERSHIP AND, ULTIMATELY, UK COMPETITIVENESS.

According to the World Economic Forum, the UK is 10th overall in global competitiveness⁴³. To ensure the UK remains a world leader in creativity, its infrastructure must encourage innovation, investment and competitiveness. There are three clear policy areas where infrastructure needs are critical to the success of the UK's creative industries: communications infrastructure, regulation and clusters⁴⁴.

CHALLENGES AND OPPORTUNITIES

- 1** UK infrastructure should be just as focused on moving digital content as physical goods and people. That means the provision of cheap, fast, high capacity and universal broadband where possible, and adequate spectrum for TV, radio and mobile. While energy and transport are important, competitive advantage is predominantly guaranteed through the communications network.
- 2** In light of the cross-border nature of the creative industries and their reliance on innovation, the regulatory environment is very important. Seemingly low-level interventions can stifle innovation, and regulators have to be flexible in a fast changing environment shaped by new technology.
- 3** Networks are critical to the sector. Creativity thrives through the convergence of different people and industries, so competitive advantage is far more likely to be secured by encouraging businesses and other organisations to cluster together, either physically or virtually.

NOTES

- ⁴³ *Global Competitiveness Report 2013-14*, World Economic Forum, September 2013
- ⁴⁴ The Infrastructure sub-group received responses to its questionnaire from 20 companies and representative bodies, covering the vast majority of UK Creative Industries
- ⁴⁵ *Greasing the Wheels of the Internet Economy: The connected world*, BCG: January 2014
- ⁴⁶ Page 39, *March of the modern makers: An industrial strategy for the Creative Industries*, IPPR: February 2014
- ⁴⁷ *Making public sector procurement more accessible to SMEs*, HM Government consultation document: September 2013
- ⁴⁸ Chapain, Cooke, de Propriis, MacNeill and Mateos-Garcia (2010), 'Creative Clusters and Innovation: Putting Creativity on the Map', Nesta
- ⁴⁹ Bakhshi, Lee and Mateos-Garcia (2013), 'Capital of Culture? An Econometric Analysis of the Relationship Between Arts and Cultural Clusters, Wages, and the Creative Economy in English Cities', in *Creative Communities: Art Works in Economic Development*, ed.
- ⁵⁰ Bakhshi, Hargreaves and Mateos-Garcia (2013), 'A Manifesto for the Creative Economy', Nesta
- ⁵¹ Chapain et al (2010), op cit

RECOMMENDATIONS

A) COMMUNICATIONS INFRASTRUCTURE

A recent report by Boston Consulting Group concluded that the UK's digital economy is outperforming what would be expected of it, given the condition of its infrastructure⁴⁵. It showed that the UK is only in the top 25% of the 65 nations in terms of ease of doing business online, and faring worse than key competitors. And for spectrum, while the UK is on track for 98% 4G coverage by 2017 and DAB multiplex build out is underway, there needs to be an appropriate balance found between demand for 5G against the vital continuing need for Digital Terrestrial Television (DTT) and radio spectrum, as part of an approach that accommodates growth in Wi-Fi and other innovative wireless technologies.

UK INFRASTRUCTURE SHOULD BE JUST AS FOCUSED ON MOVING DIGITAL CONTENT AS PHYSICAL GOODS AND PEOPLE.

15

Ofcom reports that the UK is on track for the EU 2020 target of 30Mbit/s total coverage. Currently 73% of households have access to these speeds, although not all are connected due to a lack of Internet Service Provider (ISP) incentive. The existing rollout programme should help the UK hit 90% by 2016. In addition, the Universal Service Commitment on UK ISPs is to make 2Mbit/s available to all households by 2017. Only 3% of UK households currently get less than 2Mbit/s and have no option to switch to super-fast. Ofcom is starting work on what spectrum could be available for 5G mobile technologies, while also considering what additional spectrum can be made available for Wi-Fi.

But, for UK creative industries to thrive, a vision is needed for where the UK's connectivity should be in 20 years' time, and it has to be one that is shared by industry, government and consumers. This has to cover new issues that are critical for cutting edge innovation, such as upload speeds, average download speeds, latency and 5G mobile technologies – not just consumer coverage.

Government should:

- In the long-term (from 2020 onwards), have an ambition for the UK to have the best business to business communications infrastructure in the world. This could be in absolute terms, such as through a 1Gbit/s target for key cities and hubs, in relative terms, by highest average bandwidth and lowest average latency of any country in the world or in both. Targets must be adaptable and on a rolling basis so they can be updated as the technological situation develops.
- Think about business connections separately from the consumer market. Well-connected consumers are of course

vital, but the ability to put content online easily is just as important for creative digital businesses. Measurement must be about upload speeds as well as download speeds, as there is huge demand on creative businesses to upload increasingly large file sizes.

- Recognise that latency of connections, business to business links, permanent availability and error rate are also important in ascertaining the quality of a broadband service. There needs to be put in place a rigorous method to measure these aspects, and a strategy for how well the UK wants to compare internationally in twenty years' time.
- Ensure wireless connectivity also plays a key role in communications policy. Convergence is a real possibility: within this timeframe there may be no differentiation between 'broadband' usage and 'mobile' usage. Meanwhile Wi-Fi – which accounts for the majority of mobile traffic – is facing increasing congestion.
- In the medium term, ensure that the regulatory framework promotes maximum competition in broadband for homes. Competing providers will help create the market by stimulating demand and take-up, fostering innovation and creating a constraint on pricing.
- By the end of 2014, have collaborated with industry to outline how to get to a position where creative businesses can choose to access ultra-fast broadband in a competitive market, how this fits with the need for a competitive consumer broadband market, what provision there will be for Wi-Fi and how to balance 5G with the continued need for DTT and radio spectrum, which underpins the world-leading UK television market.

B) REGULATION

The legal and regulatory infrastructure is absolutely critical for creative enterprises – it is a real source of competitive advantage (or disadvantage). For that reason, a clear, effective, fleet of foot, but light touch regulatory regime is a major potential asset for the UK's creative industries.

There is no doubt that businesses and investors value the certainty of a clear and stable regulatory framework that is quickly and effectively enforced and which, like the self-regulatory regime for advertising, gives industry a powerful voice around the table.

But the UK needs to be constantly vigilant that the ease with which new regulation can be proposed and then implemented does not harm the UK's attractiveness as a global centre, for instance in advertising and the media⁴⁶. This is particularly true given the difficulty of removing regulation, even when its stated purpose is no longer served. Short-term, reactive, tinkering of our legal and regulatory infrastructure, therefore, should be avoided.

While there is no desire from industry to increase the level of regulation, the UK's regulatory framework needs to be flexible enough to take into account the changing performance of the UK's international competitors and new technology.

Markets such as audio visual media are globalising at pace. So, in the medium to long term, it is vital that the UK does not assume that a historic regulatory and competition regime, fit for an analogue era, will continue to serve the country well. In particular, as markets converge and as the scale of US players becomes more and more important, it is vital that our regulatory

THE UK IS 10TH OVERALL IN GLOBAL COMPETITIVENESS.

regime can cope with fundamental competitive shifts and allow UK players to compete.

The Government must ensure that both the UK and, through the UK's thought leadership, the EU, are able to anticipate the seismic shifts brought about by the development of global digital advertising and media platforms. This may require a fundamental reassessment of the detailed commercial restrictions on television as display advertising markets broaden.

Government should:

- In the short-term, guard against knee-jerk and non-evidenced intervention. Government must find a way to reduce political uncertainty. The default position should be for Ministers to support the sector in their rhetoric, and use evidence in their regulation.
- Start work now on how to reshape the creative industries' regulatory framework in the long term. To ensure that the UK and EU have a regulatory regime that will enable the UK's world leading creative sectors to continue to compete commercially and provide content and services, there is a need for the best, brightest and most dynamic advisors and civil servants to work on regulation and media sector competition and merger issues; strong political commitment; leadership from the centre of Government and strong industry involvement in the UK and Europe.
- Be strategic in its support for the creative industries where it already intervenes directly in markets, such as through its procurement policy. The public sector spends £230 billion a year on goods and services⁴⁷ and needs smarter processes that involve industry and reduce bureaucracy.

C) CLUSTERS AND NETWORKS

The geography of the creative economy is strikingly uneven. The workforce is mobile, especially due to the high usage of freelancers; jobs continue to be generated by rapidly growing SMEs; and industries rely on innovative ideas, uncovered in new and unpredictable places. In addition, idea sharing knows no sectoral boundaries, which explains the tendency for some creative industries to co-locate with, for example, high-tech and knowledge-intensive business services⁴⁸. Cultural sectors and institutions are often at the heart of creative industries⁴⁹.

These characteristics, and a mix of market forces and public investment, have naturally led to a clustering of creative people and companies. And, in turn, these clusters encourage the development of new creative companies. As such, the organisational infrastructure – or networks – which facilitates clustering, and helps those clusters and businesses to grow, is very important.

Networks have already developed to support clusters of one or more creative sectors across the UK. They have proven themselves successful in linking companies with one another, with other sectors, and with other local bodies, eg. higher education institutes. They are often hot-houses for innovation, knowledge transfer and business incubation. Some successful examples include Dorset LEP and the Bournemouth-based Higher Education Institutions, TechCity in East London, Brighton Fuse and MediaCityUK in Salford.

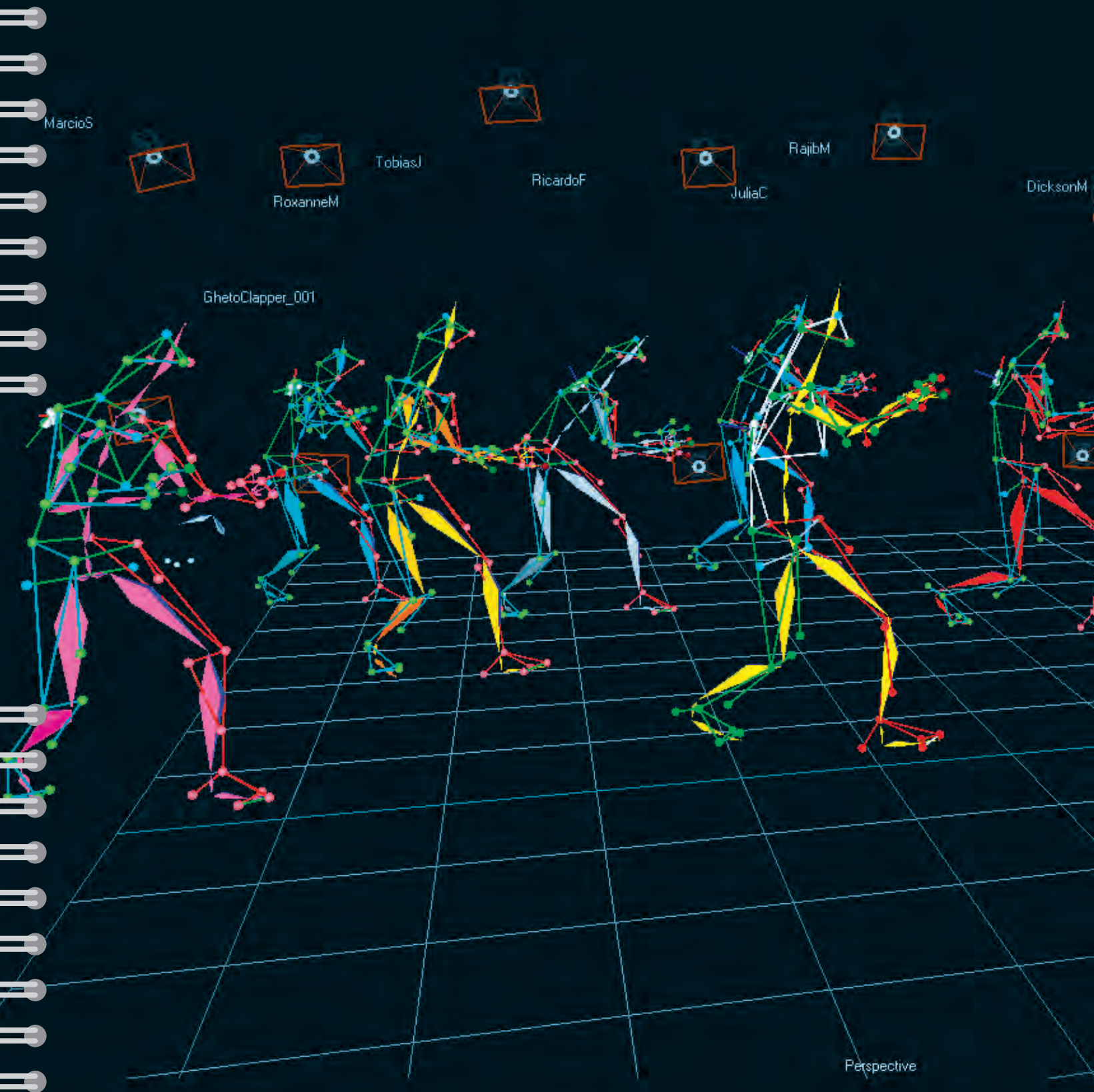
In England, some Local Enterprise Partnerships (LEPs) are also looking to support these networks and to help create links where they don't yet exist. A quarter of LEPs have identified the creative

industries as a priority sector. However, research suggests that policymakers can support creative clusters if and only if they build on a region's existing strengths⁵⁰. Data and mapping methodologies are therefore needed to identify what these are. Data and mapping can also be used to raise the visibility of clusters – unconnected, 'un-self-aware' groups of businesses do not fully enjoy the benefits of co-location⁵¹.

In addition, LEP boundaries do not always match the location of creative clusters. And the UK falls down in connecting local networks to national and international networks, such as UK Trade & Investment (UKTI). As such, we need to ensure local strength and governance is supported by national policy and support measures.

Government and industry should:

- Map existing clusters. The Creative Industries Council (CIC) should charge its Technical Working Group with leading a cluster mapping project for the UK's creative economy, drawing on ongoing quantitative research efforts by public bodies, trade bodies and employers. The output should be a mapping resource that the CIC, cities, LEPs, UKTI, universities and other strategic bodies can use to inform their cluster development priorities.
- Back strong clusters. The CIC should take the Technical Working Group's mapping and identify clusters that have the biggest potential to drive jobs and growth – "powerhouse clusters". The CIC will link to and work with those clusters and encourage collaboration with the relevant partnerships (LEPs, local government, Government Departments, skills bodies, universities etc.) to support the development and delivery of local creative economy strategies and join up local with national and international plans.



INTELLECTUAL PROPERTY

CONTEXT

A STRONG AND STABLE INTELLECTUAL PROPERTY (IP) REGIME IS THE FOUNDATION OF THE UK'S GLOBALLY SUCCESSFUL CREATIVE SECTOR AND WORKS TO THE BENEFIT OF CONSUMERS AND UK PLC. INVESTMENT IN CREATIVE BUSINESSES REQUIRES A STABLE LEGAL FRAMEWORK THAT ALLOWS RIGHTS TO BE PROTECTED AND COMMERCIALISED, WHICH BUSINESSES CAN UNDERSTAND AND USE, AND PROVIDES FOR A FAIR RETURN ON INVESTMENT AND SUFFICIENT INCENTIVES FOR CREATORS. COUNTRIES THAT PROVIDE SUCH A STABLE FRAMEWORK ATTRACT HIGHER LEVELS OF INVESTMENT INTO THEIR CREATIVE INDUSTRIES, BOTH DOMESTICALLY AND FROM OVERSEAS. INDUSTRY CAN RESPOND TO A SUPPORTIVE POLICY ENVIRONMENT WITH INVESTMENT IN NEW CONTENT, CREATING GROWTH, JOBS AND EXPORTS FOR THE UK. THIS WILL BENEFIT THE BROADER ECONOMY AS WELL AS THE CULTURAL EXPERIENCE OF CITIZENS.

It is vital that the whole of government considers IP issues, including the impact of public procurement from the creative sector and the ability of SMEs to retain IP in contracts with public agencies.

As called for in a recent CBI report on the creative industries⁵², government must be proactive in its efforts to influence the global framework for IP. The government needs to work constructively in Europe and internationally for a policy framework that encourages the creation of new creative assets, bolsters the rights on which these industries depend and allows them to be effectively enforced. Moreover, in the absence of evidence and to ensure stability in the IP rights framework for UK creative businesses, government should not support the reopening of the EU Information Society Directive.

Copyright is, internationally and domestically, a property right. Any proposals to change the basis of copyright that would erode the ability of rights holders to exploit their works could undermine incentives to invest and hence inhibit the growth of the UK creative economy. Furthermore, the uncertainty generated by such proposals – even if they are not ultimately carried through – can itself act as a disincentive to investment and destabilise the market. While the sector is open to change and understands the importance of innovation in creating new IP, for these reasons it is essential that any consideration of amendments to the IP framework is thorough, objective, evidence-based and transparent.

The UK's creative industries have adapted to the digital environment, offering consumers a great choice of innovative digital services across a wide variety of devices featuring huge catalogues of digital content, based on a variety of different business models including fabrication, purchase, rental, subscription, free-to-consumer advertising-funded models and more. The recent creation of the industry-led Copyright Hub is an example of a positive step for creators, users and the creative industries, which was taken without the need for legislative intervention.

The specific recommendations in this chapter relate to the Intellectual Property rights framework at UK, European and international level.

TO CHANGE THE BASIS OF COPYRIGHT WOULD ERODE THE ABILITY OF RIGHTS HOLDERS TO EXPLOIT THEIR WORKS.

19

RECOMMENDATIONS

A) INCREASE AWARENESS OF THE IMPORTANCE OF INTELLECTUAL PROPERTY RIGHTS

Industry should:

- Commit to funding and developing a toolkit that can be used by schools across the UK, both inside and alongside the new Computer Science curriculum, which will, for the first time require teachers to teach about internet safety. This will involve working with partners already active in this sphere such as the Industry Trust.
- Seek to set up a targeted education campaign around the importance of IP and how the use of legal services by consumers is crucial in supporting long term investment in creative content.

Government and the Devolved Administrations, in partnership with the industry, should:

- Contribute funding and resources to a major public awareness campaign in 2014-16 promoting the value of creative ideas and legal online digital content services.
- Embed education on IP in appropriate modules within programmes of study around national curricula and exam syllabuses.
- Support the sector as it develops the creative tool-kit for schools and assist with its promotion.
- Make it easier for small creative businesses to navigate the complexities of the IP system and access support on the strength of potential cases they might wish to bring.

B) SUPPORT GROWTH IN INVESTMENT IN NEW INTELLECTUAL PROPERTY

- The generation of new content protected by IP is a major driver of growth for the UK's creative industries. Industry and government must be alive to the threat of decreasing levels of how much IP is owned in the UK, balanced by a desire for the UK to be a globally open market that inward investors are attracted to. The IP subgroup supports the recommendations of the Access to Finance subgroup (see page 6) that government should review the grant support available in the UK and potential new fiscal incentives for the creation and commercialisation of IP assets in the UK.
- The creation of new IP can come about through finding new ways of doing things, so it is important for the creative sector to connect with innovation and research organisations, such as through schemes run by the Technology Strategy Board (TSB).

C) CREATE AN INTELLECTUAL PROPERTY LICENSING & ENFORCEMENT FRAMEWORK FIT FOR THE DIGITAL AGE

Industry should:

- Ensure that there are wide opportunities for licensing of new services, including engaging with and funding work on the Copyright Hub, to improve legal access to content, in particular for small use consumers and businesses.

Government should:

- Commit to the long-term funding of the Police Intellectual Property Crime Unit.
- Fund continued research into online infringement.
- Step up work to encourage all internet intermediaries to play a constructive role in developing a successful UK digital economy, through agreed voluntary measures to minimise online copyright infringement.

- Strongly commit to implement statutory measures to secure responsible conduct by intermediaries should self-regulation/voluntary arrangements fail.
- Work to ensure that its commitment in its IP Crime Strategy to "enhance legitimate trade and disrupt illegal conduct" is maintained and strengthened⁵³.

D) INTRODUCE GREATER TRANSPARENCY TO, AND BUSINESS INVOLVEMENT IN, THE ACTIVITIES OF THE INTELLECTUAL PROPERTY OFFICE

Members of the IP subgroup expressed considerable concern over the UK government's approach to copyright policy since the Gowers Review in 2006. However, the subgroup strongly welcomed the more supportive direction of policy suggested by the UK's recent Response to the EU Copyright Consultation.

To ensure that copyright policy supports the creative industries, Government should:

- Produce a clear remit for the Intellectual Property Office (IPO) outlining the roles and responsibilities against which its success will be measured in supporting the growth of the creative economy.
- Require the IPO to report annually how its activities have: contributed to the creation of new copyright works and the incentives for innovation; improved the enforcement of Intellectual Property Rights; and increased awareness of the importance of IP.
- Create a new Business Advisory Board for the IPO to provide a regular forum through which creative businesses⁵⁴ and the IPO can discuss market developments and initiatives and provide a critical friend for new policy proposals. The Board would advise the IPO on any aspect of policy implementation and delivery across the range of its responsibilities.

THE CREATION OF THE INDUSTRY-LED COPYRIGHT HUB IS AN EXAMPLE OF A POSITIVE STEP FOR CREATORS.

- Ensure that existing IPO advisory bodies enjoy substantial representation from creators, creative businesses or their representatives, as well as organisations promoting the interests of citizens and access to cultural products.

E) CLARIFY THE STANDARD OF EVIDENCE REQUIRED BEFORE CHANGES TO THE INTELLECTUAL PROPERTY FRAMEWORK ARE PROPOSED

Before the Government introduces legislative proposals that substantively alter the Intellectual Property Framework, it should require the IPO to:

- Ensure a thorough case is proven that there are actual practical problems that need to be resolved, supported by robust evidence of the scale of the problem.
- Assess whether intervention is proportionate to the problem and provide clear evidence that changes would both improve the identified problem and not cause undue harm to rights holders.
- Look for market methods of licensing and/or non-legislative solutions as the starting point for remedies.

- Consider all incremental policy changes in the context of the cost and benefits to the creative sector and the need for innovation in the wider economy.
- Adhere to the Government's Guiding Principles for EU Legislation and the Transposition Guidance published by BIS⁵⁵ which requires the new exceptions to copyright proposed by the Government to be reviewed after five years. This should include a review of the rationale for and individual and cumulative impact of existing copyright exceptions, as well as the case for any new exceptions (including exceptions which can be limited where a licensing scheme exists), to ensure the copyright framework remains balanced and necessary in light of market and technological developments. Such a review should also consider whether exceptions are being abused or applied in ways that were not intended.

F) EUROPE AND INTERNATIONAL TRADE NEGOTIATIONS

Government should:

- Build on the success of the Intellectual Property Attachés by appointing a new Intellectual Property Attaché to the EU in Brussels.
- Continue to support the work of the European Observatory on Infringements of Intellectual Property Rights. Consult with all stakeholders, including the new proposed Business Advisory Group and representatives of the arts sector, to

allow for greater transparency and advisory input into the positions the UK Government adopts in international negotiations.

- Insist that the Commission and any other relevant bodies formally adopt the same level of rigour and transparency with regards to the development of policy proposals as recommended should apply in the UK.
- Review all proposals from the Commission and any other relevant bodies to assess whether overall they are in the UK's economic interest and whether they are necessary in light of market developments.
- Request and ensure that all EU trade negotiations include a requirement for countries to create and maintain strong Intellectual Property protection and that any enforcement assistance given to other nations is reciprocated.
- Support the interests of the UK creative industries in discussions with the World Intellectual Property Organization (WIPO) and any other relevant international bodies.

NOTES

⁵² The Creative Nation, CBI, January 2014 – www.cbi.org.uk/business-issues/creative-industries/creative-nation-report/

⁵³ www.ipo.gov.uk/ipcrimestrategy2011.pdf

⁵⁴ To include creators, creative businesses, their representatives and companies dedicated to innovative products and services and public funders of creative work.

⁵⁵ www.gov.uk/government/uploads/system/uploads/attachment_data/file/229763/bis-13-775-transposition-guidance-how-to-implement-european-directives-effectively-revised.pdf



INTERNATIONAL

CONTEXT

THE UK IS KNOWN ALL AROUND THE WORLD FOR ITS CREATIVE INDUSTRIES. IF PEOPLE OVERSEAS ARE ASKED WHAT THEY ADMIRE ABOUT THE UK, A GREAT MANY WILL TALK ABOUT ITS ARTS AND CULTURE, HERITAGE AND CREATIVE TALENT.

The UK's creative industries sector punches above its weight in terms of supporting 'Brand UK' overseas, playing a key role in terms of soft power and how positively the country is perceived internationally. The world often looks to the UK for thought leadership in the creative sector, from the development of the term 'creative industries' itself to innovation foundation Nesta's often cited and replicated way of measuring the creative economy.

From a commercial perspective, the UK is a world leader in exporting creative goods and the UK's creative services are in great demand overseas, either in their own right or as part of a wider supply chain. Meanwhile, international players are increasingly choosing to come to the UK to produce films and TV series and inward investors are attracted to the UK for its creative and digital talent, fiscal incentives and geographical clusters of excellence.

CHALLENGES & OPPORTUNITIES

In 2011, the UK exported £15.5 billion of creative industries services, representing 8% of the UK's total exports of services. This was an increase of 5.3% on 2010, which was an increase of 10.2% on the previous year. However, last year's rise was smaller than the increase in exports for the UK as a whole; so much more needs to be done to turn the positive perceptions into commercial value. The UK is one of the leading business locations in the world and the number one destination for inward investment in Europe, and the creative sector must play its role in attracting more new inbound business investment.

To grow the UK's share of the global market for the creative sector, there are some stretching targets that have to be reached:

- To double creative industries services exports (from £15.5 billion in 2011 to £31 billion in 2020).
- UK Trade & Investment (UKTI) to help 15,000 UK creative industries companies to export per annum by 2020 (up from 7,500 in 2013/14). Moreover, as a sector, to increase the number of creative businesses exporting by 20%.
- To increase by 50% the UK share of the global market for inbound Foreign Direct Investment in creative sectors (from 10% in 2009-2013 to 15% in 2020).

These targets are underpinned by official data, which has historically presented a challenge to this sector. Industry and Government need to all speak with one voice on the numbers that international buyers, procurers and investors need to hear. The publication of DCMS' creative industries economic estimates has helped set out the stats for all to use. However, the latest estimates only measure exports of creative services, which misses out the large stream of revenue being generated by international sales of creative goods. DCMS and UKTI must find a way to measure the value of the whole of the creative industries' exports.

THE WORLD LOOKS TO THE UK FOR THOUGHT LEADERSHIP IN THE CREATIVE SECTOR.

23

To hit these targets of doubling exports and increasing inward investment by 50%, there will have to be a step change in the way the UK creative sector operates internationally. It will still be vital that support agencies, such as UKTI, continue with their core activity and business support, but in addition radical thought must go in to how the UK's creative industries can maintain their place in the increasingly competitive global marketplace.

This chapter sets out three areas where industry can work with government to achieve the sort of big wins that will be needed to out-perform the sector's business as usual growth trajectory.

RECOMMENDATIONS

A) INCREASE THE IMPACT OF OVERSEAS PARTNERSHIPS BY FOCUSING ON THOSE OPPORTUNITIES THAT GENERATE THE HIGHEST BUSINESS POTENTIAL

To grow the UK's market share in developed markets and build a presence in emerging markets, there must be a more active focus on overseas collaboration. This should be achieved in three ways:

1 Focus investment and resources on priority overseas creative clusters

To build in-territory relationships and the scale of the UK's creative sector in key markets it is not enough for individual British creatives to visit occasionally or to hold an event for a few days and then pack up and move on. The UK needs to win more than its fair share of the business being created in the creative clusters with the most growth potential that are emerging across the globe, securing an identifiably British presence in the most important markets.

Government and industry should:

- Work to physically co-locate UK creative companies in key overseas markets, anchored by one or two large creative businesses, with cultural, diplomatic and/or academic bodies. This would mean utilising existing (including public funded) organisations in markets, combined with the current locations or expansion plans of private companies.
- Identify five geographical targets for focus (in locations that could generate at least £100 million of business) and UKTI should then reallocate its resources to ensure they are supported in market.
- Ensure senior level Government sponsorship of the international clusters. A Cabinet member visit to the region should include going to the creative cluster and hosting events there to bring in business.
- Look to develop plans with overseas local/regional governments to ensure mutual development of businesses in the international clusters.
- Link up international clusters with major UK clusters and supply chains, to help facilitate partnerships, exports and inward investment.

2 Sign industry-led alliances with the highest growth markets

The world is hungry for creative content and services and the UK must put itself in a position to address the challenge of growing competition from other markets. One British firm on its own would struggle to attract good international partners but a consortium can sometimes generate enough leverage to agree a trading proposition that benefits all sides.

Government and industry should:

- Bring government, businesses, and investors together in international coalitions to ensure a supportive business environment, build relationships and work together to deliver on the commercial

goals, as identified by the consortia. This would lead to agreements (such as the Global Digital Media & Entertainment Alliance⁵⁶ currently being developed with China) with defined new business targets.

- Identify the top three mature/scale markets and the top three emerging markets that would benefit from a strategic alliance approach.
- Ensure ministers play a key role in undertaking top-level 'government to government' discussions and reducing trade barriers to ensure the best regulatory environment for successful business to take place, and this must link into the work of the Intellectual Property Office and its IP attachés⁵⁷.

3 Create new business-to-business trading alliances with the biggest global players

In addition to strategic alliances, which take a higher level approach to the trading environment, there is also a need for trading alliances to be built to address specific business opportunities.

As an example and priority, e-retailing is a rapidly growing global opportunity for UK brands, including smaller creative businesses, and a potential route to export growth. Therefore a particular focus is needed around growing 'e-tail' opportunities, including deals with the major global online retailers to enable smaller creative businesses to take their goods direct to international consumers.

Government and industry should:

- Identify a hit list of key opportunities around this area for creative businesses, either as brand exports or as supply chain providers, and consider how this could be expanded to digital sales.
- Ensure all UK companies selling to consumers through new digital channels benefit from UKTI's new Digital Acceleration Programme. UKTI has a Retail team and the creative

IN 2011 THE UK EXPORTED £15.5 BILLION OF CREATIVE INDUSTRIES SERVICES.

industries need to be completely plugged into its work and making use of the opportunities it brings. For example, a recently signed MOU with TMall will see a range of UK brands selling to Chinese and global consumers through the platform's digital shopping mall. UKTI, the Sector Advisory Group and trade associations must ensure that creative businesses are aware of online retail platform opportunities and are equipped with the knowledge and skills to use this new means of exporting.

B) CAPTURE MORE HIGH VALUE OPPORTUNITIES FOR BUSINESSES ACROSS THE WHOLE CREATIVE INDUSTRIES' SUPPLY CHAIN

One of the advantages of the creative industries is that as well as being valuable in their own right, they are often an enabler for other sectors and part of a wider supply chain. In many parts of the world, but especially in the emerging economies, large infrastructure projects are underway to upgrade national infrastructure. The supply chains of such projects involve many creative services and the large-scale nature of these deals mean that the creative slices of it can be very valuable to UK businesses.

The UK's creative industries were missing out on many of these opportunities, so UKTI at the end of 2013 announced the creation of a High Value Opportunity (HVO) taskforce for the sector. This means that UKTI is supporting a taskforce of 100 prequalified, internationally capable creative sector small and medium sized enterprises to win £500 million worth of high value overseas contracts in the next three years.

Government and industry should:

- Make sure that the programme works effectively for the current 100 companies.
- Encourage the top 100 to look at their supply chains to see if they can bring in work for other UK businesses off their coat-tails. The 100 also need to become champions of the scheme for the sector – sharing their experiences by speaking at events and providing case studies, so other businesses outside the 100 can learn from them.
- In the longer term, aim to widen out the opportunities for more companies and consider working with industry to develop an online database for a broader HVO audience.
- Target more HVO opportunities in the sphere of cultural districts or clusters and themed attractions. Major cultural developments are underway in the Gulf and China – for example the West Kowloon Cultural District in Hong Kong – and significant museum projects in the UAE, Saudi Arabia and Qatar. UKTI should add major cultural and entertainment projects in China, Russia, South Korea and Malaysia to the HVO target list.
- Give more active consideration of the whole creative supply chain when developing trade missions and other overseas activity. Although it is sometimes useful for a trade mission to be made up of similar businesses, there are also opportunities to be had by taking a consortium of different parts of the value/supply chain and presenting it as a full package to the overseas client.

C) OVERHAUL THE UK'S PITCH FOR INWARD INVESTMENT TO IMPROVE COMPETITIVENESS

The emergence of new multinationals from fast-growing emerging economies presents the UK with an opportunity to become a gateway to Europe for such companies, while continuing efforts to attract firms from the developed world.

To attract a greater share of Foreign Direct Investment (FDI) projects and increase more inward investment overall, there is a need to expand further UKTI's strategic account management approach and to better sell the UK's strengths both as creative industries sectors and as geographical locations to potential investors. For this sector in particular, a strong Intellectual Property (IP) framework is vital when attracting inward investors, which is covered in more detail in the IP chapter on page 18.

Improve the UK's sector-led offers and pitch

Industry should:

- Work with UKTI to develop an over-arching pitch to international investors as a creative industries sector.
- Ensure each creative industries sub-sector is able to articulate to an investor why the UK is the best place to look to for business in their field, whether that is because of skills, infrastructure, tax, regulation, research and innovation or artistic talent etc.
- Showcase these pitches on the creative industries online hub, www.thecreativeindustries.co.uk.
- More actively champion incentives to increase inward investment across sectors. For example, the introduction of tax credits for film, high-end TV drama, animation and (subject to EU approval) video games has made the UK an attractive location for international companies in those areas.
- Work with government and public agencies (UKTI, DCMS, BFC, BFI and trade bodies) to ensure a more joined up approach in the promotion of the UK's screen industries and in support of inward investors.

TO HIT THESE TARGETS THE UK HAS TO DOUBLE EXPORTS AND INCREASE INWARD INVESTMENT BY 50%.

25

- Identify the top three priority markets by sector and ensure specific plans are in place to win more than the UK's fair share of inward investment growth. In line with the export strategy, UKTI global resources should be aligned to opportunity, ensuring support for those looking to bring high value investment to and those seeking to export from the UK.

Identify, support and shine a light on the main creative industries clusters around the UK

Industry and Government should:

- Complementary to the proposals in the Infrastructure chapter on page 14 to map the UK's creative clusters, ensure there is an international dimension that can be used to attract inward investment. The list of major creative clusters around the UK must be open to adding emerging co-locations of scale so that support is aligned with those areas with greatest potential to do business, both in the UK and internationally.
- Agree the five priority UK clusters, based on scale, and inward investment targets for them. Then agree the Tier 2 UK clusters that offer further potential for growth and are fully linked in to Government and industry efforts to attract trade to the UK.

D) ENABLERS

Alongside the big three wins identified above, there are several ways that industry and government can also do Business As Usual, better. While a smaller number of big wins will be vital, it is important not to lose sight of the value of the numerous smaller companies that are doing business internationally. UKTI already has a lot of activity in place to support UK businesses but it needs to do more to make sure more people know that the support exists and how to use it to their advantage.

Government should:

- Provide more support for SMEs, in particular to address the differences between existing exporters and new exporters. There is often a perceptual barrier to exports felt by smaller businesses so UKTI and trade associations must do more to develop the right package of materials and information (ie. more on setting up offices overseas, IP regimes in different markets, legal frameworks, accessing UK Export Finance) and make sure it is reaching UK businesses. Trade bodies, incubators/ accelerators and businesses themselves need to socialise the information and share success and learnings with people in their industry.

- Develop better data and market intelligence. An insight-driven approach, using up-to-date local market intelligence combined with consumer insights is needed to identify opportunities. UKTI should work with industry to develop a range of indicators with sufficient actionable data for government and industry to make evidence based decisions.
- Use existing groups better. There are a number of existing groups, including the Creative Industries Sector Advisory Group, the Business Ambassadors, trade associations, UKTI and other public bodies, already set up to advise and support the UK's creative industries in working internationally. These groups should work in a complementary way and do more to add value to the activity done by private businesses for themselves, for example by using influence to tackle barriers to trading.
- Improve communications. Creative industries international stakeholders must communicate and work together more effectively. The creative team at UKTI needs a strategic approach to communication – within UKTI, with other funding organisations and trade associations and with businesses. These groups must also work more effectively with the GREAT campaign to ensure the campaign drives trade for the sector itself as well as using it to market the UK more generally.

NOTES

⁵⁶ In Beijing, on December 2, 2013, in the presence of the Chinese Premier and the British Prime Minister, the China Industry-University Research, Investment and Financing Union (CIUR) and UKTI signed a memorandum of understanding to support the creation of a worldwide federation of digital media, entertainment and communication business enterprises, entrepreneurs, creators, investors and educators.

⁵⁷ The IPO's IP attaché network places a business attaché in challenging overseas markets (currently in China, India, Singapore and Brazil) to help British businesses and encourage improvements to the nation's IP environment.

VISIT
www.thecreativeindustries.co.uk

**TO READ OVER 50 CASE
STUDIES FEATURING:**

**WORLD-LEADING PRACTITIONERS
FROM ACROSS THE UK CREATIVE
INDUSTRIES**

**EXAMPLES OF TECHNICAL AND
CREATIVE INNOVATIONS FROM
THE UK**

**STORIES OF COMMERCIALY
EFFECTIVE CREATIVITY FROM
A VARIETY OF ORGANISATIONS**

RISING CREATIVE STARS

**@CreativeIndsUK
#CreateUK**



DESIGN MORRISON DALLEY

PRINT OPAL
www.opalprint.co.uk

© CREATIVE INDUSTRIES COUNCIL UK 2014

**THE AIM OF THIS
STRATEGY IS TO UNITE
THE DIFFERENT PARTS
OF THE CREATIVE
INDUSTRIES BEHIND
COMMON GOALS
AND TO SPEAK WITH
ONE VOICE ON THE
ISSUES THAT CUT
ACROSS THE SECTOR.**

Nicola Mendelsohn

Industry Co-Chair, Creative Industries Council, VP EMEA, Facebook