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Communications and Digital Committee

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At risk: our creative future

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Communications and Digital Committee

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See Appendix 1.

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Q in footnotes refers to a question in oral evidence.

SUMMARY

The creative industries rank among the world's fastest-growing sectors. They provide high-quality employment, drive innovation, and support civic and social wellbeing. According to the Government, in recent years they have generated more value to the UK economy than the life sciences, aerospace and automotive industries combined. Much of the growth potential lies in areas that combine technology with creativity.

The sector has benefited from some Government attention in recent years. Tax reliefs, investment programmes, skills initiatives and pandemic recovery funds have all been widely praised.

But the Government's current approach is complacent and risks jeopardising the sector's commercial potential. Indeed, the creative industries scarcely featured in the 2022 Autumn Statement and were not included in the Government's five priorities for growth. This lack of focus risks affecting the UK's future prosperity, especially at a time of rising international competition in the sector and domestic economic challenges.

Championing the creative industries is not a matter of special pleading. There is a serious and well evidenced business case for the sector to sit at the heart of the UK's future growth plans.

To unlock the sector's full potential, ministers must devote serious attention to fixing a policy landscape characterised by incoherence and barriers to success. The creative industries rank amongst the most innovative sectors in the country, but UK tax relief for research and development remains restrictive and does not reflect where innovation comes from in the sector. The UK business environment lacks sufficient incentives for small businesses to scale at home; too many sell up and valuable intellectual property (IP) moves overseas. New proposals to relax IP laws risk undermining creative sector business models, and do not even enjoy the support of the creative industries minister in the Department for Digital, Culture, Media and Sport (DCMS). Trade negotiations are putting the UK's 'gold standard' copyright regime at risk.

Data collection in both Government and the sector is muddled and under exploited. Academic research funding does too little to encourage commercially orientated creative projects; it skews towards collaborations with large businesses rather than the small firms that characterise the creative sector. We remain perplexed as to why UK Research and Innovation is choosing not to continue one of its most successful interventions, the Creative Industries Clusters Programme, even as other new initiatives are being set up.

Successive governments' efforts to address skills shortages have fallen far short of what is needed. The English education system equips pupils poorly for the realities of future work, in particular the freelance market. Technical skills shortages are widespread. Opportunities to encourage students to develop a valuable blend of creative and digital skills are being missed. Careers guidance about the sector remains patchy and poor. Skills policies have led to an over-abundance of courses (more than 100,000 are listed on the national careers website) but too few opportunities to develop the types of skills employers say they want. There have been 35 ministers responsible for skills in the past 25 years, which is hardly conducive to long-term stability.

Creative sector organisations receiving public funding also face a challenging future. Many are struggling to adapt to the rapid pace of technological change. Funding streams are disparate and complex; integrating good practice remains challenging; and the stop-start nature of grants makes it hard to support cross-disciplinary collaboration or help shift business models towards long-term financial sustainability. A greater focus on innovation, collaboration and sustainability will be key to their long-term success.

Ministerial engagement with international opportunities appears to be declining. The Government is reportedly absent at key global gatherings such as the World Conference on the Creative Economy, while cuts to the British Council hamper opportunities to build profitable overseas networks. Several witnesses told us the UK was a world leader when it defined the concept of the creative industries over two decades ago. Such leadership is now being left to others.

The Government's new Sector Vision will therefore be very welcome. This should help ministers identify priorities and make difficult choices about the allocation of scarce resources. It should also help those across the creative sector realise the full commercial potential of their work.

But a plan on its own will be insufficient. Better cross-departmental collaboration will be key to its success. Unless senior figures across the Government start taking the creative industries more seriously, the fundamentals that underpin the sector's success will deteriorate and the UK's competitiveness will decline. In some areas this process has already begun.

We therefore recommend the following priority areas for attention:

- **Recognise our strengths:** The creative industries are an economic powerhouse. The Government should commit to making them a key feature of its future growth plan, and explain why they were omitted from its recent list of priority sectors with high growth potential.
- **Protect IP:** The Intellectual Property Office must change its proposed approach to text and data mining to avoid undercutting creative industries business models. The Government should also commit to maintaining and promoting the UK's IP standards in trade deals.
- **Fund what works:** UKRI should work with DCMS and the Department for Business, Energy and Industrial Strategy to ensure the Creative Industries Clusters Programme can continue beyond March 2023. Discontinuing support would be a needless waste of a programme that is exceeding co-investment expectations by 600 per cent.
- **Boost innovation:** HM Treasury should change its approach to the R&D tax relief system to include innovation in the arts. It should undertake and publish a comprehensive review of the options. Relatedly, the Government's review of audiovisual tax reliefs must benchmark the UK against international counterparts to address declining UK competitiveness.
- **Address blind spots in education:** over the next decade there will be a huge demand for workers with a blend of digital and creative skills. The Department for Education needs to wake up to this reality. It should start by addressing the major decline in Design and Technology GCSEs, and improving careers guidance. Lazy rhetoric about 'low value' arts courses risks deterring much needed talent from pursuing education and

careers in the sector. The Department should further address barriers to apprenticeships in the creative sector and promote the new flexi-job apprenticeship scheme more widely.

- Follow the data: future priorities—from further education course content through to lifelong learning entitlements and careers guidance—need to be informed by up-to-date market data and long-term forecasts of skills shortages. The new Unit for Future Skills should play a central role in providing this information.
- Support adaptation: DCMS should publish a forward-looking plan to help the sector adapt to technological disruption and change, with a particular focus on those on low incomes working in the creative industries.

Terms and definitions

Key terms

- The terms ‘creative industries’ and ‘creative sector’ refer to the DCMS definition of industries “which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property”.¹ Nine subsectors fall under this definition:
 - music, performing and visual arts;
 - museums, galleries and libraries;
 - publishing;
 - IT, software and computer services;
 - film, TV, video, radio and photography;
 - design and designer fashion;
 - crafts;
 - architecture; and
 - advertising and marketing.
- Our inquiry engaged with a selection of the above: music, performing and visual arts; museums and galleries; publishing; gaming, film, TV, video, photography; and digital and design services.
- The term ‘creative occupations’ refers to jobs that are creative in nature according to the DCMS creative industries economic estimates methodology.²
- The term ‘creative economy’ includes both creative and non-creative occupations within the creative industries, as well as those working in creative occupations in other sectors (for example a marketing professional working in financial services).

1 DCMS, ‘Sector Estimates Methodology’ (2021): <https://www.gov.uk/government/publications/dcms-sectors-economic-estimates-methodology/dcms-sector-economic-estimates-methodology> [accessed 24 November 2022]

2 DCMS, *Creative Industries Economic Estimates Methodology* (2016), p 6: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/499683/CIEE_Methodology.pdf [accessed 24 November 2022]

At risk: our creative future

CHAPTER 1: THE CASE FOR ACTION

Our inquiry

1. The creative industries rank among the world's fastest-growing sectors.³ They provide high-quality employment, drive innovation, and support civic and social wellbeing.
2. The UK is widely regarded as a leader in the creative sector, both in terms of economic potential and global cultural influence. But this success cannot be taken for granted in the context of rising competition and rapid technological development. We launched this inquiry to identify the actions required from the Government and industry to help the UK's creative industries thrive in the face of possible disruption and displacement by new technologies and fast-moving international competitors over the next 5–10 years.
3. We did not seek to cover all the issues affecting the sector. Other reports ably cover issues such as domestic and international migration trends;⁴ diversity and inclusion;⁵ employment practices;⁶ and the details of public funding allocations for arts organisations.⁷
4. We took evidence from a range of witnesses and visited StoryFutures, which is part of the Creative Industries Clusters Programme.⁸ Our report builds on a wealth of previous studies and recommendations.⁹ Our findings are not exhaustive. We hope they will support the Government and industry to prioritise and address the most pressing issues in the years ahead.

The importance of creative industries

5. Our evidence was clear that the creative industries should be a key part of the UK's plan for economic growth. More than one in eight UK businesses are part of the creative industries, according to 2019 figures.¹⁰ The sector

3 United Nations Conference on Trade and Development, 'Creative Economy Outlook 2022' (October 2022): <https://unctad.org/webflyer/creative-economy-outlook-2022> [accessed 1 December 2022]

4 Creative Industries Policy and Evidence Centre, 'The migrant and skills needs of creative businesses in the UK' (July 2019): <https://pec.ac.uk/research-reports/the-migrant-and-skills-needs-of-creative-businesses-in-the-united-kingdom> [accessed 1 December 2022]

5 All-Party Parliamentary Group for Creative Diversity, *What works* (September 2021): <https://www.kcl.ac.uk/cultural/resources/reports/creative-majority-report-v2.pdf> [accessed 1 December 2022]

6 Creative Industries Policy and Evidence Centre, 'Good Work Review' (March 2022): <https://pec.ac.uk/news/good-work> [accessed 24 November 2022]

7 See Arts Council England, '2023–26 investment programme': <https://www.artscouncil.org.uk/investment23> [accessed 24 November 2022].

8 Creative Industries Clusters Programme, 'StoryFutures': <https://creativeindustriescusters.com/clusters/storyfutures/> [accessed 1 December 2022]

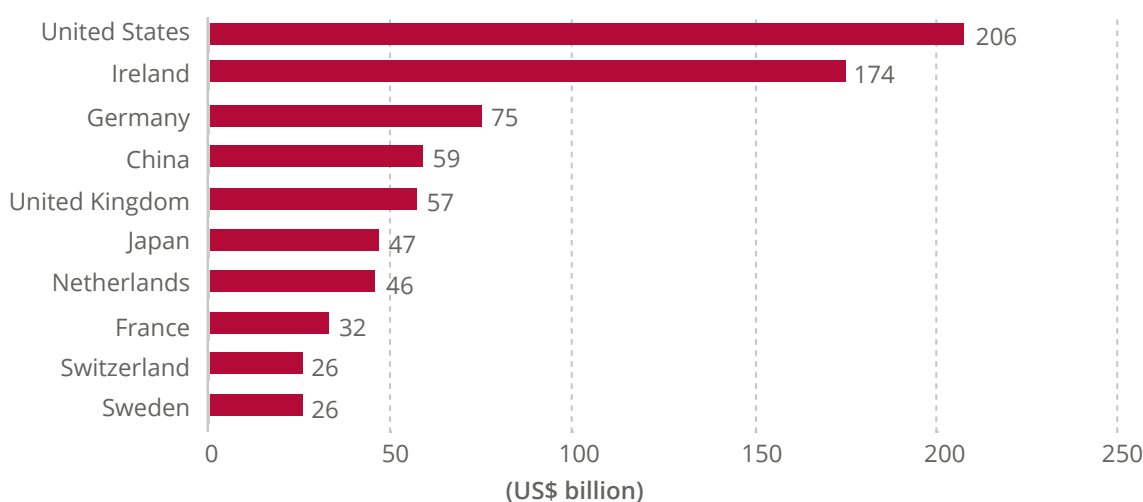
9 See for example the Digital, Culture, Media and Sport Committee, *Reimagining where we live: cultural placemaking and the levelling up agenda* (Third Report, Session 2022–23); Department for Digital, Culture, Media and Sport (DCMS), 'Independent Review of the Creative Industries' (September 2017): <https://www.gov.uk/government/publications/independent-review-of-the-creative-industries> [accessed 1 December 2022]; DCMS, 'Culture is Digital' (March 2018): <https://www.gov.uk/government/publications/culture-is-digital> [accessed 1 December 2022] and Creative UK, *the UK creative industries* (2021): <https://drive.google.com/file/d/118K7yiift1cTosufulxa1NxcYlKAzjuU/view> [accessed 1 December 2022].

10 DCMS, 'DCMS Sectors Economic Estimates 2019' (October 2021): <https://www.gov.uk/government/statistics/dcms-sectors-economic-estimates-2019-business-demographics> [accessed 1 December 2022]

accounted for £115.9 billion—almost 6 per cent of the UK’s entire Gross Value Added—in the same year.¹¹ This was more than the aerospace, automotive and life sciences industries combined.¹² Recent figures indicate many subsectors are rapidly bouncing back from the pandemic downturn.¹³

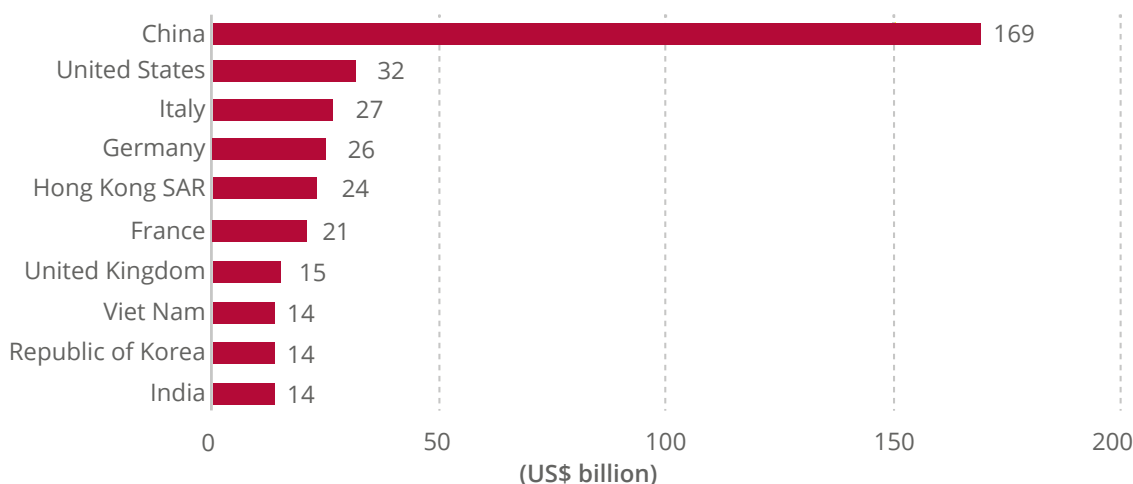
6. Between 2011 and 2019, job growth in the creative industries was three times that in the UK overall.¹⁴ Ed Shedd, a Partner in Technology, Media and Telecommunications at Deloitte, summarised the sector’s growth potential: “two million jobs that the creative sector generated in 2010... three million jobs it generated in 2018–19... four million jobs in the creative services sector [forecast for 2030].”¹⁵
7. The creative industries are receiving growing international attention. Global exports of creative services rose from \$487 billion in 2010 to \$1.1 trillion in 2020, while goods exports totalled \$524 billion in 2020.¹⁶ Countries across the world are seeking to capture a greater proportion of these opportunities.¹⁷

Figure 1: Top ten exporters of creative services worldwide in 2020



Source: United Nations Conference on Trade and Development, *Creative Economy Outlook 2022* (October 2022), p 51: https://unctad.org/system/files/official-document/ditctsce2022d1_en.pdf [accessed 1 December 2022]

- 11 DCMS, ‘National statistics: DCMS Economic Estimates 2019 (provisional): Gross Value Added’ (February 2021): <https://www.gov.uk/government/statistics/dcms-economic-estimates-2019-gross-value-added/dcms-economic-estimates-2019-provisional-gross-value-added> [accessed 1 December 2022]. Note that there is some overlap between DCMS accounting of Gross Value Added between creative industries and other sectors such as Digital.
- 12 Creative Industries Policy and Evidence Centre, ‘How lessons from UKRI’s Creative Industries Challenge Programmes should transform the way we invest in R&D’ (14 February 2022): <https://pec.ac.uk/blog/transforming-investment-in-r-d> [accessed 30 November 2022]
- 13 Creative Industries Council, ‘Positive Trend In Economic Recovery Of UK Creative Industries From Pandemic’ (May 2022): <https://www.thecreativeindustries.co.uk/facts-figures/positive-trend-in-gva-of-uk-creative-industries-from-pandemic> [accessed 1 December 2022]. See also DCMS, ‘Using annual estimates from summed monthly GVA data’ (October 2022): <https://www.gov.uk/government/statistics/dcms-sectors-economic-estimates-monthly-gva-to-june-2022/using-annual-estimates-from-summed-monthly-gva-data> [accessed 1 December 2022]
- 14 House of Lords Library, ‘Impact of government policy on the creative sector’ (28 October 2021): <https://lordslibrary.parliament.uk/impact-of-government-policy-on-the-creative-sector/>
- 15 **Q 2**
- 16 This equates to circa £399.5 billion; £902.3 billion; and £430 billion respectively as of 8 December 2022.
- 17 United Nations Conference on Trade and Development, *Creative Economy Outlook 2022* (October 2022), p 3: https://unctad.org/system/files/official-document/ditctsce2022d1_en.pdf [accessed 1 December 2022]

Figure 2: Top ten exporters of creative goods worldwide in 2020

Source: United Nations Conference on Trade and Development, *Creative Economy Outlook 2022*, p 37

8. We heard that the creative sector is well suited to delivering on Government priorities. Its growth rate has consistently outpaced that of the general economy.¹⁸ Creative sector businesses are addressing net zero challenges by driving innovation in concept design, material sciences and construction.¹⁹ Its job market offers a range of rewarding roles with many vocational entry routes. Clusters of creative businesses are located across the country, which supports the levelling up agenda.²⁰ Numerous reports set out in detail the sector's domestic and international economic vibrancy,²¹ positive spillover potential,²² job creation,²³ geographical distribution²⁴ and civic value contributions.²⁵
9. Much of the growth potential lies in subsectors that combine technology with creativity. We heard that the UK's strengths here are particularly striking. The UK's gaming market is worth £7 billion alone,²⁶ with a productivity rate

18 DCMS, 'UK's Creative Industries contributes almost £13 million to the UK economy every hour' (February 2020): <https://www.gov.uk/government/news/uks-creative-industries-contributes-almost-13-million-to-the-uk-economy-every-hour> [accessed 4 December 2022]

19 Written evidence from HM Government—Department for Digital, Culture, Media and Sport (CRF0058)

20 Creative Industries Policy and Evidence Centre, 'Levelling Up and the Creative Industries: Resources for Local Authorities' (June 2022): <https://pec.ac.uk/news/levelling-up-info-for-local-authorities> [accessed 4 December 2022]

21 United Nations Conference on Trade and Development, *Creative Economy Outlook 2022* (October 2022): https://unctad.org/system/files/official-document/ditctsce2022d1_en.pdf [accessed 1 December 2022]

22 DCMS, 'Creative industries spillovers: research findings' (July 2022): <https://www.gov.uk/government/publications/creative-industries-spillovers-research-findings> [accessed 1 December 2022]

23 Creative Industries Council, 'Invest In Creativity For 300,000 New Jobs, Report Advises' (July 2021): <https://www.thecreativeindustries.co.uk/site-content/300-000-new-creative-industry-jobs-in-recovery-with-right-investment-report-estimates> [accessed 1 December 2022]

24 Creative Industries Policy and Evidence Centre, 'Small engines of growth' (November 2020): <https://pec.ac.uk/news/small-engines-of-growth-new-research-finds-over-700-small-communities-of-creative-businesses-in-cities-towns-and-villages-across-the-uk-1> [accessed 1 December 2022]

25 UKRI, *Understanding the value of arts & culture, the AHRC cultural value project* (November 2021): <https://www.ukri.org/wp-content/uploads/2021/11/AHRC-291121-UnderstandingTheValueOfArts-CulturalValueProjectReport.pdf> [accessed 1 December 2022]

26 Ukie, 'UK Consumer Games Market Valuation 2021' (March 2022): <https://ukie.org.uk/consumer-games-market-valuation-2021> [accessed 4 December 2022]

that is reportedly twice the UK average.²⁷ The film and high-end television industry saw a record £5.64 billion spent on production in the UK in 2021,²⁸ while the royalties earned from the exploitation of intellectual property are worth billions.²⁹ The UK's animation and visual effects industry enjoys international acclaim.³⁰ Only the US and China are ahead of the UK in the number of artificial intelligence research publications relating to the creative industries.³¹ There were over 2,000 UK firms working on immersive technologies in 2021, a rise of 83 per cent over five years.³² PwC has estimated that virtual reality technologies will add £62.5 billion to the UK economy by 2030; much of the design input will come from the creative sector.³³

10. The UK has competitive advantages in organisations and institutions receiving public funding too. The British Museum, the National Gallery and the Natural History Museum have been ranked among the top 10 most visited museums in the world.³⁴ Practitioners and analysts from Canada to South Korea have praised the UK's innovative approaches to engaging with the future of arts and culture.³⁵ Professor Hye-Kung Lee, Professor of Cultural Policy at King's College London, told us the UK was globally recognised for its leadership in the "quality of cultural content".³⁶ UK public service broadcasters are known across the world for producing high-quality content that delivers public value alongside regional economic benefits.³⁷

Rising competition and the risk of complacency

11. Yet we heard mounting concern that the UK's success was being taken for granted, and increasingly at risk.³⁸ Rapid technological advances are changing the nature of the creative industries, and international competition is rising. Many UK initiatives—particularly fiscal incentives, public arts programmes, centres of excellence and the development of high-end production centres—are being copied and improved on by governments abroad.³⁹ The screen industries face growing challenges from overseas competition and rising domestic production costs.⁴⁰ Skills shortages and a lack of investment

27 Written evidence from Ukie ([CRF0025](#))

28 British Film Institute, 'Official 2021 BFI statistics reveal a record £5.64 billion film and high-end TV production spend in the UK': <https://www.bfi.org.uk/news/official-2021-bfi-statistics> [accessed 23 November 2022]

29 British Film Institute, *BFI Statistical Yearbook* (2021), p 210: <https://www.bfi.org.uk/industry-data-insights/statistical-yearbook> [accessed 12 December 2022]

30 Animation UK, 'The UK's animation sector' (2022): <https://www.animationuk.org/subpages/the-uks-animation-sector-in-profile/> [accessed 1 December 2022]

31 Figures based on 2019 data. See Creative Industries Policy and Evidence Centre, 'The art in the artificial' (June 2020): <https://pec.ac.uk/research-reports/the-art-in-the-artificial> [accessed 1 December 2022].

32 Immerse UK, *2022 Immersive Economy Report* (October 2022): <https://www.immerseuk.org/wp-content/uploads/2022/10/Immersive-Economy-2022-final-13-Oct.pdf> [accessed 1 December 2022]

33 PwC, 'Virtual and augmented reality could deliver a £1.4 trillion boost to the global economy by 2030' (2020): <https://www.pwc.com/id/en/media-centre/press-release/2020/english/virtual-and-augmented-reality-could-deliver-a-pl-4trillion-boost.html> [accessed 1 December 2022]

34 The European Museums Network, 'The most visited museums in the world': <http://museums.eu/highlight/details/105664/the-most-visited-museums-in-the-world> [accessed 1 December 2022]

35 [QQ 113–117](#)

36 [Q 113](#)

37 Communications and Digital Committee, *Licence to change: BBC future funding* (1st Report, Session 2022–23, HL Paper 44)

38 [QQ 8, 110](#)

39 [QQ 8, 37, 116](#)

40 Communications and Digital Committee, *Licence to change: BBC future funding* (1st Report, Session 2022–23, HL Paper 44) and written evidence from the British Film Institute ([CRF0051](#))

present major barriers to growth in multiple subsectors.⁴¹ In emerging fields such as virtual reality, US technology giants are generating vast amounts of commercial data from users, giving them significant advantages over UK small and medium-sized enterprises (SMEs).⁴²

12. International trade figures also suggest strong competition. UK creative goods exports fell by 47 per cent between 2019 and 2020. While this was largely attributable to the pandemic, some other countries achieved growth in 2020 and by 2021 many more had exceeded pre-pandemic levels.⁴³ In 2020 the UK's 5.3 per cent share of global creative services exports placed it in the top five biggest exporters—but only just ahead of Japan (4.4 per cent) and the Netherlands (4.3 per cent), and significantly behind Germany's 7 per cent share.⁴⁴ Several witnesses warned that the UK must work hard to maintain its position or risk falling behind in a competitive international marketplace.⁴⁵
13. In research, current trends suggest the UK may cede its leading position in important areas. Many other countries have a higher growth rate in artificial intelligence (AI) research, for example.⁴⁶ Melissa Terras, Professor of Digital Cultural Heritage at the University of Edinburgh, warned that UK staff were being left out of leading international cultural research collaborations because of Brexit-related barriers to participation.⁴⁷
14. We asked witnesses whether there was a risk that the UK was being complacent about the prospects of continued future success in the creative industries. Paul Owens, co-founder of the global advisory firm BOP Consulting, was unequivocal: “There is not a danger of it—we are”.⁴⁸ Many witnesses agreed.⁴⁹

The need for change

15. The opportunities and challenges outlined above offer compelling reasons for the Government to treat the creative industries as a strategic priority. We were therefore concerned to learn that the sector was characterised by a high degree of policy incoherence. As we explore throughout this report, urgent changes are needed to improve intellectual property law and artists' rights; research and development; fiscal incentives; business support; data collection; education provision; career pathways and skills development schemes.
16. Moreover, senior figures in Government need to show more clearly that they recognise the creative industries' potential. The sector is an economic powerhouse, and highly innovative. The Prime Minister recently said

41 [Q 34](#)

42 [Q 33](#) (Verity McIntosh)

43 United Nations Conference on Trade and Development, *Creative Economy Outlook 2022* (2022), p 33: https://unctad.org/system/files/official-document/ditctsce2022d1_en.pdf [accessed 1 December 2022]

44 *Ibid.*, p 51

45 [Q 113](#)

46 Creative Industries Policy and Evidence Centre, ‘The art in the artificial’ (June 2020): <https://pec.ac.uk/research-reports/the-art-in-the-artificial> [accessed 1 December 2022]. See also IBM, *Global AI adoption index 2021* (2021), p 10: https://filecache.mediaroom.com/mr5mr_ibmnews/190846/IBM%27s%20Global%20AI%20Adoption%20Index%202021_Executive-Summary.pdf [accessed 10 December 2022]

47 [Q 44](#)

48 [Q 110](#)

49 [Q 53](#) (Dr Nicola Searle), [Q 57](#) (Adam Dickinson); [Q 113](#) (Professor Hye-Kyung Lee) and [Q 121](#) (Professor Christopher Smith)

innovation would be “a defining focus of my government”, describing it as the “product of creativity and ingenuity”.⁵⁰ Yet the creative sector scarcely featured in the 2022 Autumn Statement and was not included in the Government’s five priorities for growth.⁵¹

17. The UK’s engagement with international opportunities appears to be declining too. Industry expert John Howkins told us the Government had become “reluctant to exercise [its] leadership in international forums”, with the UK absent at key gatherings such as the World Conference in the Creative Economy.⁵² Creative exports are a global growth area, but Dr Martin Smith told us that cuts to the British Council had impacted the work of its creative industries team, hampering opportunities to build profitable overseas networks.⁵³
18. Our evidence session with ministers was also not auspicious. While we heard welcome commitments to supporting the sector,⁵⁴ we also noted concerning examples of disconnect. We found a lack of engagement around UKRI’s Creative Industries Clusters Programme—one of the most impressive investment programmes in recent times.⁵⁵ And we heard that major proposals to reform intellectual property law had apparently been brought forwards without the support of the Minister of State for Media, Data and Digital Infrastructure, Julia Lopez MP.⁵⁶
19. The disconnect between the sector’s potential and cross-Government priorities was evident throughout our inquiry. As we explore in this report, senior figures in the Department for Education, HM Treasury, the Department for Business, Energy and Industrial Strategy (BEIS) and DCMS will need to address the mismatch between the commercial potential offered by the creative sector, and current ministerial priorities and rhetoric. As Julia Lopez MP emphasised, DCMS is:

“still seen as the ministry of fun, but I want it to be understood as the ministry of a major economic growth area, future technologies ... it is incredibly important that we do not try to diminish the public perception of what are fundamentally important industries and ones where the UK has a real competitive advantage.”⁵⁷
20. In isolation, each of the issues set out in this chapter is manageable. But taken together they present a serious challenge to future prosperity. An up-to-date cross-government plan is needed to support the future of the creative industries. We noted the sector has benefited from Government attention

50 Prime Minister’s Office, ‘PM speech to the CBI conference: 21 November 2022’ (November 2022): <https://www.gov.uk/government/speeches/pm-speech-to-the-cbi-conference-21-november-2022> [accessed 21 December 2022]

51 The Statement cited “key growth industries—including digital technology, life sciences, green industries, financial services, and advanced manufacturing”. See HM Treasury, ‘Autumn Statement 2022’: <https://www.gov.uk/government/publications/autumn-statement-2022-documents/autumn-statement-2022-html> [accessed 1 December 2022]. The Government published a consultation on the same day regarding the continuation of existing tax relief for the audio-visual sector. See HM Treasury, ‘Audio-visual tax reliefs: consultation’: <https://www.gov.uk/government/consultations/audio-visual-tax-reliefs-consultation> [accessed 1 December 2022]. See Chapter 3 for further discussion.

52 Written evidence from John Howkins (CRF0062)

53 Supplementary written evidence from Dr Martin Smith (CRF0061). See also Q 118.

54 Q 132 (Julia Lopez MP)

55 Q 134

56 Q 140 (Julia Lopez MP)

57 Q 137

over the past decade: audiovisual tax reliefs, the 2017 Industrial Strategy and the 2018 Creative Industries Sector Deal, and the pandemic recovery funds were all significant interventions which have been welcomed.⁵⁸ But these are now several years old, and Government interest appears to have declined. The Government's forthcoming Sector Vision is therefore very welcome.⁵⁹ This must be used by ministers across Government to identify priorities and take difficult choices about the allocation of scarce resources.⁶⁰

21. **In recent years the creative industries have delivered more economic value than the life sciences, aerospace and automotive sectors combined. The Government has a major opportunity to put the sector at the heart of its future growth agenda. It is failing to do so. *The Government should commit to placing the creative industries at the heart of its growth plans. It should explain its rationale for omitting the creative industries from its Autumn Statement priority growth sectors.***
22. **We welcome the Government's plans for a Creative Industries Sector Vision, which has been delayed since summer 2022. *The Government should publish the Sector Vision at the earliest opportunity. The Government should take account of the conclusions and recommendations in this report when implementing the Sector Vision's workstreams.***

58 For detail on the Sector Deal see: BEIS and DCMS, 'Creative industries: Sector Deal' (March 2018): <https://www.gov.uk/government/publications/creative-industries-sector-deal> [accessed 1 December 2022]. For detail on audiovisual tax reliefs and support funds see Chapter 4.

59 In February 2022 the Government said it would introduce a Sector Vision in partnership with the Creative Industries Council in the summer of 2022. See DCMS, '£50 million of Government investment announced for creative businesses across the UK' (February 2022): <https://www.gov.uk/government/news/50-million-of-government-investment-announced-for-creative-businesses-across-the-uk> [accessed 4 December 2022]

60 [Q 121](#)

CHAPTER 2: A DIGITAL FUTURE

Overview

23. We took evidence from industry and academic experts on the likely impacts of technology on the creative industries over the next 5–10 years. We heard that new technologies and the rise of digitised culture will change the way creative content is developed, distributed and monetised.
24. Many of these changes offer opportunities for innovation and growth. New tools for developing creative content are proliferating rapidly, from 3D design modelling to AI-generated art and music. Content distribution is becoming increasingly digital: music, video and game streaming are prominent examples, but other subsectors are following suit. Museums and galleries are digitising their collections, while performing venues offer immersive shows and online screenings. The pandemic accelerated shifts towards digital platforms, creator economies and e-commerce across the industry. Such changes provide expanding possibilities for monetising the associated data and improving business strategies. The much-hyped metaverse concept may yield further possibilities for developing, sharing and selling creative content.⁶¹
25. There is a variety of Government interventions and industry schemes to help organisations navigate this fast-changing world. Initiatives range from Government-backed innovation funds⁶² and research council programmes for digitising heritage collections,⁶³ through to industry-led investment and business support programmes.⁶⁴ Our evidence suggested there were four key areas that required greater Government attention: reviewing reforms to intellectual property law; strengthening rights for performers and artists; maintaining high standards in trade deals; and putting plans in place to support the workforce to adapt as technological changes disrupt the creative sector.

Text and data mining

26. The Creative Rights Alliance told us that a robust intellectual property (IP) and copyright regime is crucial to supporting creative sector workers and growth: “without creators’ rights to copyright protection over the works they create there is little incentive to invest in their own future careers.”⁶⁵ IP rights provide crucial revenue streams for those in the creative sector, from

61 Written evidence from the British Film Institute (CRF0051); University of Arts London (CRF0044); Royal College of Art (CRF0041); National Museum Directors’ Council (CRF0040); Minderoo Centre for Technology and Democracy, University of Cambridge (CRF0026); Equity (CRF0010) and Professor Tracey Harwood (CRF0001)

62 Written evidence from DCMS (CRF0058); correspondence from Professor Dame Ottoline Leyser DBE FRS, Chief Executive of UK Research and Innovation (2 December 2022): <https://committees.parliament.uk/publications/31963/documents/179566/default/>

63 UKRI, ‘Artificial intelligence supports culture and heritage exploration’ (September 2021): <https://www.ukri.org/news/artificial-intelligence-supports-culture-and-heritage-exploration/> [accessed 3 December 2022]

64 Q 141 (Kevin Hollinrake MP). See also written evidence from the Greater London Authority (CRF0020); British Film Institute (CRF0051). We explore issues regarding fragmentation in greater detail in Chapter 3.

65 Written evidence from the Creative Rights Alliance (CRF0014)

freelancers to major businesses.⁶⁶ IP rules protect around £63 billion worth of investments in knowledge assets each year.⁶⁷

27. The Government’s proposed changes to IP law provided an illustrative example of the tension between developing new technologies and supporting rights holders in the creative industries. In 2021 the Intellectual Property Office (IPO) consulted on the relationship between IP and AI.⁶⁸ In 2022 the IPO set out its conclusions, which included “a new copyright and database right exception which allows text and data mining for any purpose.”⁶⁹
28. Dr Andres Guadamuz, Reader in Intellectual Property Law at the University of Sussex and chief editor of the *Journal of World Intellectual Property*, explained that text and data mining involved copying and analysing large datasets to identify patterns and trends. This is typically done to train AI algorithms, conduct academic research or support commercial purposes. Mining these data often requires a copyright licence or relying on a copyright exception. The UK offers exceptions for non-commercial research, among others.⁷⁰
29. In 2019, the European Union amended its text and data mining rules by introducing a change to support commercial mining. The new regime included an “opt-out”. Dr Guadamuz explained this enabled artists to say “I don’t want my art to be in this dataset”. He said the UK then sought to “go beyond that” in its consultation by proposing a regime that could be used “for all commercial purposes without an opt-out.”⁷¹ The effect of the proposed regime would be that businesses could scrape text and content created by others and use this for commercial gain without payment to the original creator—presumably they could even seek their own copyright protection for the resulting creation.
30. The IPO’s proposal generated significant concern within the creative industries about potential loss of revenue. Dan Conway, Chief Executive of the Publishers Association, described the Government’s proposals as “a sledgehammer to crack a nut”. He said there were better options in the IPO’s consultation, such as introducing more limited changes⁷² to improve the

66 Freelance UK, ‘Intellectual Property: What freelancers need to know’: <https://www.freelanceuk.com/legal/intellectual-property-what-freelancers-need-know-part-1.shtml> [accessed 12 December 2022]

67 Intellectual Property Office, ‘Artificial Intelligence and Intellectual Property: copyright and patents: Government response to consultation’ (June 2022): <https://www.gov.uk/government/consultations/artificial-intelligence-and-ip-copyright-and-patents/outcome/artificial-intelligence-and-intellectual-property-copyright-and-patents-government-response-to-consultation> [accessed 3 December 2022]

68 Intellectual Property Office, ‘Consultation outcome: Artificial Intelligence and Intellectual Property: copyright and patents’ (June 2022): <https://www.gov.uk/government/consultations/artificial-intelligence-and-ip-copyright-and-patents/artificial-intelligence-and-intellectual-property-copyright-and-patents> [accessed 3 December 2022]

69 *Ibid.*, para 58

70 Intellectual Property Office, ‘Consultation outcome: Artificial Intelligence and Intellectual Property: copyright and patents’ (June 2022): <https://www.gov.uk/government/consultations/artificial-intelligence-and-ip-copyright-and-patents/artificial-intelligence-and-intellectual-property-copyright-and-patents> [accessed 3 December 2022]. See also [Q 15](#).

71 [Q 15](#)

72 The IPO consultation response set out four options, ranging from no change through to different types of TDM exception. See Intellectual Property Office, ‘Artificial Intelligence and Intellectual Property: copyright and patents: Government response to consultation’ (June 2022): <https://www.gov.uk/government/consultations/artificial-intelligence-and-ip-copyright-and-patents/outcome/artificial-intelligence-and-intellectual-property-copyright-and-patents-government-response-to-consultation> [accessed 30 November 2022]

licensing environment. He argued text and data mining licensing was worth £335 million a year to publishers, and said the IPO's proposals:

“would allow any ... businesses of any size, located anywhere in the world, to access all my members' data for free for the purposes of text and data mining. There is no differentiation between a large US tech firm in the US and an AI micro start-up in the north of England.”⁷³

31. UK Music similarly told us that the music sector:

“remains deeply concerned about proposals by the Intellectual Property Office to allow a blanket exemption from copyright for work being used for AI text and data mining ... Removing this protection as the IPO proposes would allow AI music to be created using copyright content that those controlling the AI do not own, with no compensation to the artists and rights holders whose investment created it ... This change is at best unnecessary and at worst actively harmful.”⁷⁴

32. Dr Nicola Searle said the issue was complex and the key question for Government on this issue was to identify the correct balance in legislation:

“Do you put the balance on enabling the new technology, or do you put the balance on supporting existing copyrights holders? It is a difficult question.”⁷⁵

33. We asked the minister, Julia Lopez MP, why the IPO was proposing a new regime that appeared to undercut business models in the creative industries. She emphasised that IP was the “lifblood” of creative businesses and said she was “not convinced of the value of this piece of work”. The minister told us she was “fairly confident” that the IPO's proposals were “not going to be proceeding”.⁷⁶

34. **The Intellectual Property Office's proposed changes to intellectual property law are misguided. They take insufficient account of the potential harm to the creative industries. They were not even defended by the minister in the Department for Digital, Culture, Media and Sport whose portfolio stands to be most affected by the change. Developing AI is important, but it should not be pursued at all costs.**

35. ***The Intellectual Property Office should pause its proposed changes to the text and data mining regime immediately. It should conduct and publish an impact assessment on the implications for the creative industries. If this assessment finds negative effects on businesses in the creative industries, it should pursue alternative approaches, such as those employed by the European Union. The Intellectual Property Office should write to us confirming its plans and timelines in response to this report.***

Securing performers' rights

36. We heard that advances in AI also raised challenges around the digital reproduction of performers and their works. Many tools are available to

73 [Q 15](#)

74 Written evidence from UK Music ([CRF0037](#))

75 [Q 49](#)

76 [Q 140](#)

create or modify a digital likeness of a performer’s image or voice. These might be used for film stunts, music performances or marketing campaigns, for example.⁷⁷ Such techniques are likely to become more sophisticated, affordable and widespread over the next 5–10 years.⁷⁸

37. Equity, a trade union for performers and creative practitioners, highlighted two problems with this trend. First, performers may be compensated inadequately, if at all. In some cases, complex and opaque contracts are used to assign an artist’s image and likeness rights for use by third party commercial clients.⁷⁹ Some artists say they are being exploited:

“In the last six months, my voice has been used in huge marketing campaigns by global companies selling cars and home products in huge marketing campaigns, including national TV commercials and digital campaigns. I don’t receive a penny”.⁸⁰

38. Second, we heard that the Copyright, Designs and Patents Act 1988 may not provide artists with certainty about their rights over AI-generated reproductions. The Act provides protections for generating a ‘recording’ or a ‘copy’ of a performance. On 10 October 2022 the Government stated in answer to a parliamentary question:

“Sections 182 and 182A of the Act give performers the right to control who is able to record and make reproductions of their performances. These provisions apply regardless of the technology used to make such reproductions, including AI technology.”⁸¹

39. Equity, however, has said greater clarity is needed because the law is drafted in such a way that new AI tools for synthesising content effectively create “digital sound and look-alikes [... which could fall] outside the scope of protection”.⁸²
40. We heard that the Government could help artists and performers by ratifying the Beijing treaty on audiovisual performances. This international agreement provides intellectual property rights for audiovisual performances used in films, television programmes and other recordings. The UK signed the treaty in 2013 but has not ratified it since the UK’s departure from the European Union.⁸³ Some areas of the treaty are already covered by UK law.

77 Written evidence from Equity (CRF0010)

78 See Thomas Davenport and Nitin Mittal, ‘How generative AI is changing creative work’ (November 2022): <https://hbr.org/2022/11/how-generative-ai-is-changing-creative-work> [accessed 8 December 2022].

79 Written evidence from Equity (CRF0010)

80 Cited in Equity, *Stop AI Stealing The Show* (April 2022), p 7: <https://www.equity.org.uk/media/6134/report-stop-ai-stealing-the-show.pdf> [accessed 21 November 2022]

81 Written answer, HL2336, Session 2022–23

82 Written evidence from Equity (CRF0010)

83 The Government states that it supports the Beijing Treaty “but was not able to implement or ratify it independently while a member of the EU. Now that we have left the EU, the government is resolved to do so.” For further detail see Intellectual Property Office, ‘Beijing Treaty on Audiovisual Performances’ (April 2021): <https://www.gov.uk/government/consultations/beijing-treaty-on-audiovisual-performances-call-for-views/beijing-treaty-on-audiovisual-performances-call-for-views> [accessed 21 November 2022]

Other areas, notably moral rights in audiovisual fixations, are not.⁸⁴ A 2021 consultation on the treaty said the UK Government “intends to implement and ratify the Beijing Treaty”, but it has not yet done so.⁸⁵

41. Paul Fleming, General Secretary of Equity, said that ratifying the Beijing treaty was a “very straightforward” way to help manage the impact of new technologies and reduce exploitation risks. He cautioned that the current absence of a “fit-for-purpose moral framework for audio-visual performances” raised the risks of production moving to better-regulated jurisdictions, such as the EU and the United States.⁸⁶
42. **New technologies are making it easier and cheaper to reproduce and distribute creative works and image likenesses. Timely Government action is needed to prevent such disruption resulting in avoidable harm, or production moving to countries with better regulation. The Government should ratify the Beijing treaty on audio-visual performances at the earliest opportunity. It should set out its timelines for doing so in response to this report.**

Intellectual property and international trade

43. DACS, an industry body, told us the UK’s copyright framework was in many respects recognised as an international “gold standard”.⁸⁷ We heard concerns from stakeholders that this framework was being put at risk as a result of trade deal negotiations.
44. The Publishers Association urged the Government to “show global leadership by enshrining strong IP and copyright standards in future trade deals, and reject any changes to copyright that threaten UK innovation and creativity.”⁸⁸ Giorgio Fazio, Professor of Macroeconomics at the University of Newcastle, similarly told us it was important for UK trade negotiations to take account of the particular IP needs of the creative industries:

“the IP that matters for the creative industries may be substantially different from the IP for other industries, because the creative industries rely a bit less on patents and a lot more on copyright, trademarks and design.”⁸⁹

45. The Alliance for Intellectual Property (AIP) has however highlighted problems with the Government’s approach to trade deals. The UK’s proposed accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is illustrative. Issues identified by AIP include:

84 Moral rights enable the performer to claim to be identified as the performer, except where omission is dictated by the manner of the use; and object to any distortion, mutilation or other modification of their performance that would be prejudicial to their honour or reputation, taking due account of the nature of audiovisual productions. Audiovisual fixations are defined as “the embodiment of moving images, whether or not accompanied by sounds or by the representations thereof, from which they can be perceived, reproduced or communicated through a device.” For further detail see Intellectual Property Office, ‘Beijing Treaty on Audiovisual Performances’ (April 2021): <https://www.gov.uk/government/consultations/beijing-treaty-on-audiovisual-performances-call-for-views/beijing-treaty-on-audiovisual-performances-call-for-views> [accessed 21 November 2022]

85 *Ibid.*

86 [Q 17](#)

87 Written evidence from DACS ([CRF0042](#))

88 Written evidence from the Publishers Association ([CRF0045](#))

89 [Q 52](#)

- inadequate requirements for signatory nations to prevent piracy and IP theft;
 - proposed reductions to the time span for UK rights holders to benefit from content, resulting in reduced revenue; and
 - insufficient provision of artist resale rights, which would provide royalties for UK artists on works sold in secondary markets.⁹⁰
46. DACS similarly raised concerns that the UK’s accession to the CPTPP involved signing up to agreements that provide “zero recognition for creators” and “undermine the UK’s robust legal framework in intellectual property; particularly copyright”.⁹¹ We noted related concerns around suggestions that the UK’s framework for exhaustion rights could be weakened in future if proposals to move to an ‘international exhaustion regime’ were to go ahead.⁹²
47. **The UK’s intellectual property framework is respected across the world. These protections underpin the success of the UK’s creative industry exports. The Government must not water them down when striking new trade deals. The Department for International Trade should commit to maintaining the UK’s existing standards of intellectual property rights in all future trade deals.**

AI and jobs

48. We heard that while AI would create new work opportunities in some places, it would likely reduce them in others. This has particular implications for those on lower incomes or insecure contracts. Mr Fleming told us that around “80 to 90 per cent of [Equity’s] members are earning less than £20,000 a year from the industry itself” and raised concerns that the areas of work that sustain them through periods of low pay were “about to be removed ... because of the speed of AI intervention.”⁹³ Some film extras can now be computer generated, for example.⁹⁴ In January 2023, Apple announced a catalogue of audiobooks narrated by AI rather than human actors.⁹⁵ Regular annual contracts are being replaced with one-off payments because the artist’s “image, voice or likeness [can now] be used forever and on thousands of projects”, according to Equity.⁹⁶
49. AI is also moving into territories traditionally considered difficult to automate, such as music and visual art production. We were told about the challenges involved in distinguishing hype from reality in this field.⁹⁷ Aidan Meller, a

90 Written evidence submitted to the International Agreements Committee inquiry on Intellectual Property Rights and the Comprehensive and Progressive Agreement for Trans Pacific Partnership from the Alliance for Intellectual Property ([UKT0024](#))

91 Supplementary written evidence from DACS ([CRF0068](#))

92 [Q 15](#) (Dan Conway). For details on exhaustion rights see Intellectual Property Office, ‘UK’s future exhaustion of intellectual property rights regime: Summary of responses to the consultation’ (18 January 2022): <https://www.gov.uk/government/consultations/uks-future-exhaustion-of-intellectual-property-rights-regime/uks-future-exhaustion-of-intellectual-property-rights-regime-summary-of-responses-to-the-consultation> [accessed 21 December 2021]

93 [Q 16](#)

94 [Q 14](#)

95 ‘Death of the narrator? Apple unveils suite of AI-voiced audiobooks’, *The Guardian* (4 January 2023): <https://www.theguardian.com/technology/2023/jan/04/apple-artificial-intelligence-ai-audiobooks> [accessed 21 December 2022]

96 Written evidence from Equity ([CRF0010](#))

97 [Q 14](#)

gallery director and modern art specialist, anticipated significant impacts to the creative industries in the near future in an “AlphaGo moment”.⁹⁸

50. We heard similar views from his robot Ai-Da, which provided autonomous answers in our evidence session using AI language algorithms.⁹⁹ It explained how it used cameras in its eyes and a robotic arm to create canvas paintings, and said that “technology can be both a threat and an opportunity” to the arts. It suggested there were “not many limits to how [technology] can be used in a contemporary art setting”.¹⁰⁰ We heard other AI-powered tools, such as DALL-E and Stable Diffusion, also provided increasingly sophisticated (and accessible) ways to generate high-quality artwork—though many stakeholders remained sceptical about their future value and impact.¹⁰¹ Other tools, such as the recent ChatGPT text generation platform, have shown the speed at which AI innovations can develop.¹⁰²
51. We heard many arguments that the creative industries were less exposed to AI automation and disruption than other sectors because of the reliance on human creativity.¹⁰³ Others were less certain.¹⁰⁴ Dr Guadamuz cautioned that several previous predictions of limited AI capability had been rapidly overtaken by technological advances. He emphasised the limits of current capabilities and difficulties in making forecasts, but suggested the future might involve “almost unlimited content that will compete with human content. It will not be very good, but it will be free.”¹⁰⁵
52. The creative industries are not alone in facing potential disruption from AI, and many analyses suggest any job losses would be compensated by the creation of new roles elsewhere.¹⁰⁶ But the question of who might lose out is nevertheless important, particularly given the sector’s historical challenges around diversity and inclusive working practices, and sizeable technology-related skills gaps.¹⁰⁷
53. Research on the COVID-19 pandemic showed that financial difficulties and uncertainty resulted in large numbers of people exiting the workforce, in particular those from diverse backgrounds.¹⁰⁸ Concerns about technology-

98 [Q 24](#)

99 The questions were submitted to the robot in advance to allow time for its algorithms to develop a comprehensive response. The robot appeared as a proxy witness for Mr Meller and did not hold the same status as a human witness.

100 [Q 28](#)

101 [Q 14](#)

102 See OpenAI, ‘Optimizing language models for dialogue’: <https://openai.com/blog/chatgpt/> [accessed 21 December 2022]

103 Written evidence from the University of Arts London ([CRF0044](#)) and HM Government—Department for Digital, Culture, Media and Sport ([CRF0058](#))

104 Written evidence from Equity ([CRF0010](#)) and Society of Authors ([CRF0031](#))

105 [Q 16](#)

106 World Economic Forum, ‘The future of jobs report 2020’ (October 2020): <https://www.weforum.org/reports/the-future-of-jobs-report-2020/digest> [accessed 3 December 2022]

107 See Creative Industries Policy and Evidence Centre, ‘The Good Work Review’ (March 2022): <https://pec.ac.uk/news/good-work> [accessed 3 December 2022].

108 Centre for Cultural Value, ‘The impact of Covid-19 on jobs in the cultural sector’ (2020): <https://www.culturehive.co.uk/CV/resources/the-impact-of-covid-19-on-jobs-in-the-creative-and-cultural-sectors/> [accessed 3 December 2022] and Centre on the Dynamics of Ethnicity, and Creative Access, *The impact of Covid-19 and BLM on Black, Asian and ethnically diverse creatives and cultural workers* (March 2022): https://pure.manchester.ac.uk/ws/portalfiles/portal/212029276/Impact_of_covid_and_blm_on_ethnically_diverse_creatives_and_cultural_workers_report.pdf [accessed 3 December 2022]

driven job insecurity are growing and can be expected to continue.¹⁰⁹ These trends risk widening the gap between those who can afford to work in more precarious and uncertain positions, and those who cannot.¹¹⁰ Such developments would in turn affect the diversity and business resilience that underpin the economic vibrancy of creative sector organisations.¹¹¹ As the Creative Industries Policy and Evidence Centre concluded in a recent report: “[if] the UK does not take action, there is a risk its position in the sector could be undermined”.¹¹²

54. **Like other sectors, the creative industries are exposed to the opportunities and threats of automation and job replacement. Workers on lower incomes and insecure contracts are particularly vulnerable. *The Government’s Sector Vision must set out a clear plan for ensuring that its encouragement of technological change is accompanied by complementary plans to help the creative industries sustain quality jobs and promote a diverse workforce.***

109 Written evidence from Equity (CRF0010)

110 For further detail on diversity and inclusion in the creative industries, see the All Party Parliamentary Group for Creative Diversity, *Creative Majority* (2021): <https://www.kcl.ac.uk/cultural/resources/reports/creative-majority-report-v2.pdf> [accessed 24 November 2022]. For further detail on working conditions see Doris Ruth Eikhof, ‘COVID-19, inclusion and workforce diversity in the cultural economy: what now, what next?’, *Cultural Trends*, vol. 29, (2020), pp 236–237: <https://www.tandfonline.com/doi/pdf/10.1080/09548963.2020.1802202> [accessed 3 December 2022]

111 See written evidence from the Institute for Creative and Cultural Entrepreneurship para 12 (CRF0016); Creative Informatics and the Edinburgh Futures Institute, University of Edinburgh, (CRF0035); and the Society of Authors (CRF0031).

112 Creative Industries Policy and Evidence Centre, ‘The art in the artificial’ (June 2020): <https://pec.ac.uk/research-reports/the-art-in-the-artificial> [accessed 8 December 2022]

CHAPTER 3: IMPROVING THE BUSINESS ENVIRONMENT

55. Many of the challenges facing creative businesses are not unique to the sector: skills shortages, uneven support for innovation, growing international competition, barriers to scaling and insufficient access to finance apply to other areas of the economy.
56. We heard however that the distinctive characteristics of the creative sector require tailored solutions. The sector is dominated by small and medium-sized enterprises (SMEs) distributed across regional clusters, with a particularly high proportion of microbusinesses.¹¹³ A third of the workforce is freelance, compared with 16 per cent of the wider economy.¹¹⁴ The proportion of creative businesses investing in research and development (R&D) is “massive compared to many other business sectors,” according to the Chief Executive of Creative UK, Caroline Norbury.¹¹⁵
57. We received numerous suggestions for improving the business environment for the creative sector. There is a range of existing schemes.¹¹⁶ Our inquiry focused on four areas for further work: expanded cluster-based innovation funding; reforms to R&D tax policy; practical support for SMEs in the creative sector; and targeted measures for innovation in the arts.

Creative Industries Clusters Programme

58. The creative industries have been growing at nearly twice the rate of the wider economy in recent years.¹¹⁷ Analysis published by Nesta found that “dense, diverse and highly networked” creative clusters have been key to the sector’s success.¹¹⁸ Clusters typically involve groups of businesses in an industry benefiting from close geographical proximity to one another—for example from access to shared skills, resources and customers.¹¹⁹ A 2016 Nesta report identified 47 main creative clusters across the UK.¹²⁰ Subsequent research identified 709 creative ‘micro-clusters’,¹²¹ of which a third lie outside the 47 major clusters.¹²²

113 Businesses which employ fewer than 10 staff.

114 Creative Industries Policy and Evidence Centre, ‘National Statistics on the Creative Industries’: <https://pec.ac.uk/news/national-statistics-on-the-creative-industries> [accessed 1 December 2022]

115 Q 8 (Caroline Norbury)

116 Major schemes include the Culture Investment Fund, the Culture Recovery Fund, the Create Growth Programme, the Creative Industries Clusters Programme and Audience of the Future Programme. For further details on SME business support see Q 141 (Kevin Hollinrake MP); and written evidence from HM Government—Department for Digital, Culture, Media and Sport (CRF0058).

117 Department for Digital, Culture, Media and Sport, ‘£50 million of Government investment announced for creative businesses across the UK’ (1 February 2022): <https://www.gov.uk/government/news/50-million-of-government-investment-announced-for-creative-businesses-across-the-uk> [accessed 1 December 2022]

118 Juan Mateos-Garcia and Hasan Bakhshi, *The Geography of Creativity in the UK* (July 2016): https://media.nesta.org.uk/documents/the_geography_of_creativity_in_the_uk.pdf [accessed 1 December 2022]

119 Dr Josh Siepel, ‘Small engines of growth: Understanding creative microclusters’ (19 November 2020): <https://pec.ac.uk/blog/small-engines-of-growth-understanding-creative-microclusters> [accessed 1 December 2022]

120 Juan Mateos-Garcia and Hasan Bakhshi, *The Geography of Creativity in the UK* (July 2016): https://media.nesta.org.uk/documents/the_geography_of_creativity_in_the_uk.pdf [accessed 1 December 2022]

121 Micro-clusters involve at least fifty creative industries organisations in an area.

122 Dr Josh Siepel, ‘Small engines of growth: Understanding creative microclusters’ (19 November 2020): <https://pec.ac.uk/blog/small-engines-of-growth-understanding-creative-microclusters> [accessed 1 December 2022]

59. Much of our evidence suggested that creative clusters should be prioritised in future growth and innovation plans.¹²³ Councillor Phil Seeva from the Local Government Association argued this should be an integral part of the Government’s ‘Levelling Up’ agenda.¹²⁴ Yet we learnt that funding decisions by UK Research and Innovation (UKRI)¹²⁵ would not prioritise its flagship Creative Industries Clusters Programme, dedicated to boosting cluster-based innovation and growth.¹²⁶

Box 1: UKRI’s Creative Industries Clusters Programme

The Creative Industries Clusters Programme was launched in 2018 with funding from the Industrial Strategy Challenge Fund. It involved a £55 million initial investment awarded by the Arts and Humanities Research Council (AHRC) to nine creative clusters around the UK following a year-long selection process. The aim was to provide a catalyst to drive innovation, boost skills, and create products and experiences that could be marketed. Nine clusters were set up across the UK focusing on different subsectors of the creative industries. Funding for the programme ends in March 2023.

Source: UKRI, *Creative industries clusters*: <https://www.ukri.org/what-we-offer/our-main-funds/industrial-strategy-challenge-fund/artificial-intelligence-and-data-economy/creative-industries-clusters/> [accessed 2 December 2022]

60. UKRI told us that the results of its £55 million investment in the programme were “far exceeding what was thought possible”.¹²⁷ Initial evaluation data show the programme had:
- delivered almost £4 in co-investment for every £1 of UKRI funding;
 - created or safeguarded over 4,000 jobs;
 - supported 227 new spinouts and start-ups;
 - funded 700 industry-led R&D projects/businesses;
 - supported 558 new products, services and experiences; and
 - trained 3,500 industry professionals and academics.¹²⁸
61. Professor Christopher Smith, Chief Executive of the Arts and Humanities Research Council (AHRC), said the returns were “600 per cent higher than what we expected when we started”.¹²⁹
62. During our inquiry we visited StoryFutures, one of the clusters based at Royal Holloway University. The initiative focuses on “placing innovative

123 Written evidence from Dr Martin Smith (CRF0003); Dr Lucy McFadzean, Professor Gabriella Giannachi, Joanne Evans (CRF0011); Advertising Association (CRF0013); Greater London Authority (CRF0020); XR stories and screen industries growth network (CRF0023) and Creative Industries Policy and Evidence Centre (CRF0024)

124 Q 104

125 UK Research and Innovation is a non-departmental public body that directs research and innovation funding, funded through the science budget of the Department for Business, Energy and Industrial Strategy.

126 Q 124 (Professor Christopher Smith)

127 Correspondence from Professor Dame Ottoline Leyser DBE FRS, Chief Executive of UK Research and Innovation (2 December 2022): <https://committees.parliament.uk/publications/31963/documents/179566/default/>

128 *Ibid.*

129 Q 123

storytelling at the heart of next generation immersive technologies”, reflecting the growing overlap between creativity and technology.¹³⁰ We heard that the cluster programme’s value lay in convening universities, businesses and local authorities to collaborate on R&D, skills training, business guidance and support in bringing ideas to market.¹³¹ We noted many creative hubs were thriving without being part of the UKRI programme but heard that its infrastructure made a major difference in catalysing commercially orientated collaboration between academics and SMEs. As Paul Owens, Chief Executive Officer of BOP Consulting, explained:

“There have to be incentives for professors like [Professor James Bennet, Director of StoryFutures] not just to be writing research papers or working with IBM but to be working with interesting little games companies and groups.”¹³²

63. We asked witnesses why UKRI was not renewing funding for this programme. Sir Peter Bazalgette, co-Chair of the Creative Industries Council, said UKRI was opting for new initiatives such as Innovate UK’s £30 million Creative Catalyst programme. He believed this was welcome but “not strategically as clever as the creative clusters” in its targeting of subsectors or geographical focus.¹³³ He thought it was “perfectly possible” for other funding councils to provide the money for the clusters programme.¹³⁴
64. We wrote to Professor Dame Ottoline Leyser, Chief Executive of UKRI, requesting further clarification. She told us that the Government “did not renew the Industrial Strategy Challenge Fund (ISCF) that funds the Creative Industries Clusters in their current form” at the latest Comprehensive Spending Review and that funding would therefore end in March 2023. She acknowledged the nine cluster programme leads had requested continued funding from UKRI, but stated that in “difficult financial circumstances” her organisation was focused on building a “portfolio of investments to support the creative industries”, including:
- a £63.6 million investment in Convergent Screen Technologies And performance in Realtime (CoSTAR);
 - a £30 million Creative Catalyst programme;
 - a £15 million circular fashion programme;
 - a £22 million investment in Cardiff media organisations; and
 - continued funding of the Creative Industries Policy and Evidence Centre.¹³⁵
65. UKRI said it was “considering” how these investments might support the creative clusters. It was allowing cluster leads to bid for a portion of a £2 million AHRC investment to upgrade or renew equipment and facilities; and

130 StoryFutures, ‘StoryFutures and StoryFutures Academy’: <https://www.storyfutures.com/about> [accessed 3 January 2023]

131 Written evidence from Professor Andrew Chitty (CRF0064)

132 Q 110

133 Q 123

134 *Ibid.*

135 Correspondence from Professor Dame Ottoline Leyser DBE FRS, Chief Executive of UK Research and Innovation (2 December 2022): <https://committees.parliament.uk/publications/31963/documents/179566/default/>

allocating funding from AHRC’s infrastructure programme “to enable staff and talent retention from the Clusters Programme into the next financial year.”¹³⁶

66. **We fail to understand UK Research and Investment’s rationale for not allocating funding to continue the Creative Industries Clusters Programme, and choosing to prioritise other projects—particularly before the final impact evaluation has been completed. Current assessments show the programme has far exceeded expectations in promoting innovation, attracting co-investment and delivering SME growth.**
67. *UKRI should review its funding allocations and identify options for continuing the most successful clusters within the Creative Industries Clusters Programme after March 2023. UKRI should publish its plans and decision timelines in response to this report.*
68. *The Arts and Humanities Research Council and participating universities should work with regions which are not part of the Creative Industries Clusters Programme to share best practice and create links between clusters.*

Tax relief and innovation

69. We heard that innovation in the creative industries could be further enhanced by changing tax policy to take better account of R&D in the creative industries. Nesta’s 2018 analysis of the BEIS UK Innovation Survey found that the share of creative businesses undertaking R&D was higher than in other services sectors, and comparable with R&D-intensive industries like manufacturing.¹³⁷ Analysis shows that this is the case even if the IT, Software and Computer services sub-sector is removed from the calculation.¹³⁸ A 2020 report for DCMS found that 55 per cent of creative businesses had undertaken some form of R&D in the previous three years according to definitions used by the Organisation for Economic Co-operation and Development (OECD), yet only 14 per cent would be eligible for UK tax relief.¹³⁹
70. We heard that this discrepancy related to differing approaches to R&D tax relief. The UK explicitly excludes arts, humanities and social sciences R&D from the definition of R&D eligible for tax relief. The OECD definition of R&D, upon which many member states base their tax relief policies, includes arts, humanities and social sciences R&D. At least 23 other countries, including Germany, France, Italy, South Korea and Mexico, recognise R&D in the arts, humanities and social sciences for the purposes of tax credits.¹⁴⁰

136 *Ibid.*

137 Nesta, *What can we learn about the innovation performance of the creative industries from the UK Innovation Survey* (May 2018), p 2: https://media.nesta.org.uk/documents/Creative_industries_innovation_analysis.pdf [accessed 17 November 2022]

138 Creative Industries Policy and Evidence Centre, *The Art of R&D* (2022), p 5: <https://www.pec.ac.uk/research-reports/the-art-of-r-and-d> [accessed 21 December 2022]

139 DCMS, *R&D in Creative Industries Survey—2020, Research report, Prepared for the Department for Digital, Culture, Media and Sport By OMB Research* (18 September 2020), p 1: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/919052/4565_-_DCMS_RD_in_Creative_Industries_Survey_-_Report_-_D8_PDF.pdf [accessed 17 November 2022]

140 Dr Josh Siepel, Dr Jorge Velez-Ospina, ‘Key Facts About R&D in the Creative Industries’ (14 February 2022): <https://pec.ac.uk/blog/key-facts-about-r-and-d> [accessed 1 December 2022]

Box 2: Definitions of R&D eligible for tax relief

The OECD defines R&D as “Creative and systematic work undertaken in order to increase the stock of knowledge—including knowledge of humankind, culture and society—and to devise new applications of available knowledge”.

According to HMRC definitions, “R&D for tax purposes takes place when a project seeks to achieve an advance in science or technology ... It cannot be an advance within a social science, like economics, or a theoretical field, such as pure maths.” Government guidance states that arts and humanities are also excluded.

Source: OECD, ‘Frascati Manual’ (2015): <https://www.oecd.org/innovation/frascati-manual-2015-9789264239012-en.htm>; HM Treasury, ‘Claiming Research and Development Tax Reliefs’ (March 2020): <https://www.gov.uk/guidance/corporation-tax-research-and-development-rd-relief> and HMRC, *Research and development tax relief: Making R&D easier for smaller companies*: <https://www.hmrc.gov.uk/gds/cird/attachments/rdsimpleguide.pdf> [accessed 2 December 2022]

71. Our evidence suggested the Government’s approach was limiting R&D investment, especially as creative and technological innovation increasingly overlap. Tom Box, Managing Director of Blue Zoo Animation, told us:

“The innovation tax reliefs are all centred around tech patents, and, in the creative industries, it is not about patents because you cannot patent a style or a creative concept, a visual concept.”¹⁴¹

72. Adam Dickinson, Development Director of the virtual reality SME Rezzil, told us that the work of his technical programmers and artists was inextricably linked, yet only the technical staff’s salaries could be claimed as R&D despite them working side by side on the same product. As a result, the entire team’s ability to innovate was limited by the number of artists the company could afford to employ.¹⁴² The Crafts Council stated that expanding the definition of R&D would enable “more than three times the number of current creative businesses” to invest in digital innovation in processes and materials.”¹⁴³

Government action

73. In 2021 the Treasury expanded R&D tax reliefs to include data and cloud computing costs to support artificial intelligence businesses. Many creative industries stakeholders called for a wider definition of qualifying expenditure which would include more of the creative sector.¹⁴⁴ The Government declined, saying that other respondents had “raised concerns that a further widening of the definition could result in deadweight claims, uncertainty and complexity.”¹⁴⁵
74. The 2022 Autumn Statement announced that while the Government’s expenditure on R&D would increase, SMEs would receive less generous benefits. The statement noted that the SME additional deduction would decrease from 130 per cent to 86 per cent, and the SME credit rate would

141 Q 60

142 *Ibid.*

143 Written evidence from the Crafts Council (CRF0005)

144 HM Treasury, *R&D Tax Reliefs* (November 2021), p 15: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1037348/RD_Tax_Reliefs.pdf [accessed 1 December 2022]

145 HM Treasury, *R&D Tax Reliefs* (November 2021) p 15: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1037348/RD_Tax_Reliefs.pdf [accessed 1 December 2022]

decrease from 14.5 per cent to 10 per cent.¹⁴⁶ The Treasury cited “significant error and fraud” in the SME scheme among its reasons.¹⁴⁷ The Government committed to “work with industry to understand whether further support is necessary for R&D intensive SMEs, without significant change to the overall cost envelope for supporting R&D.”¹⁴⁸

75. We asked ministers from DCMS and BEIS if they accepted that R&D policy was negatively affecting creative sector businesses and should be reformed. Kevin Hollinrake MP suggested that these issues would be addressed in a consultation about separate, sector-specific audiovisual tax credits.¹⁴⁹ However, Julia Lopez MP agreed the challenge was broader than this, noting:

“It goes beyond discrete tax credits for a particular industry; it is also about that overlap. Creative industries move between sectors in a much more fluid way than the tax credit system perhaps acknowledges.”¹⁵⁰

76. **The Government’s definition of R&D for tax relief is narrow and restrictive compared with that in other OECD countries. This risks holding back innovation in the UK’s creative industries. The Government should change the definition of R&D for the purpose of tax relief to include more of the creative sector. It should conduct and publish a substantial review setting out the risks, costs, and benefits of adopting such an approach. It should start by exploring the OECD definition of R&D tax relief. The Government should provide timelines for this review in response to this report.**

Tax relief and international competition

77. There are eight additional sector-specific creative industry tax reliefs covering film, animation, high-end TV, children’s TV, video games, theatre, orchestras and museums and galleries.¹⁵¹ These have been widely praised as highly valuable to these sectors and the wider economy.¹⁵² Animation studio Blue Zoo said that its production “rocketed, with a 300 per cent increase” after the introduction of animation tax reliefs.¹⁵³ In film, a survey of predominantly domestic production companies suggested that 38 per cent of productions would not have taken place without the film tax relief.¹⁵⁴ A report for the BFI indicated the highest ever return on investment to the

146 HM Treasury, *Autumn Statement 2022* (17 November 2022) p 54: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1118417/CCS1022065440001_SECURE_HMT_Autumn_Statement_November_2022_Web_accessible_1_.pdf [accessed 1 December 2022]

147 *Ibid.*, p 35

148 *Ibid.*, p 55

149 [Q 140](#)

150 *Ibid.*

151 HM Treasury, *Audio-visual tax reliefs: consultation* (November 2022): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1118361/5082_consultation_audio_visual_reliefs_reform.pdf [accessed 1 December 2022]

152 [Q 34](#) (Dr Jo Twist); [Q 60](#) (Tom Box); written evidence from Crafts Council ([CRF0005](#)); Equity ([CRF0010](#)); Advertising Association ([CRF0013](#)); UK Interactive Entertainment ([CRF0025](#)); Contemporary Visual Arts Network ([CRF0034](#)); Arts Council England ([CRF0043](#)); a-n The Artists Information Company ([CRF0050](#)); British Film Institute ([CRF0051](#)) and Motion Picture Association ([CRF0057](#))

153 Escape Studios Animation Blog, ‘What are the challenges of running an animation studio? Blue Zoo’s Tom Box explains’ (27 November 2015) <https://escapestudiosanimation.blogspot.com/2015/11/what-are-challenges-of-running.html> [accessed 18 November 2022]

154 HM Treasury, *Audio-visual tax reliefs: consultation* (November 2022), p 7: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1118361/5082_consultation_audio_visual_reliefs_reform.pdf [accessed 1 December 2022]

UK economy of £13.48 billion gross value added from the Government's screen tax reliefs from 2017–2019.¹⁵⁵ Video games tax relief helped support £860 million in spending in 2019, up 23 per cent from 2017, according to the British Film Institute.¹⁵⁶

78. We heard however that the UK faced growing international competition over tax incentives to attract and retain these highly mobile businesses in the UK. Video Games Tax Relief for example is worth up to 25 per cent of the core production costs of a game.¹⁵⁷ Dr Jo Twist, CEO of UK Interactive Entertainment, said that countries such as Germany, Australia and Ireland had examined UK policies and “created the same but with better rates.”¹⁵⁸ The French tax credit for video games offers 30 per cent and parts of Canada offer up to 40 per cent.¹⁵⁹ Ireland, France, Quebec (Canada) and the Canary Islands all currently offer Animation Tax Relief rates ranging between 37 and 50 per cent;¹⁶⁰ in the UK the rate is 25 per cent.¹⁶¹ ScreenSkills noted that in 2020, animation studio Brown Bag closed their Manchester studio, which had employed 200 people, to concentrate on their Dublin and Toronto bases.¹⁶²
79. Much of our evidence suggested the Government should review tax reliefs to ensure they provide a competitive business environment.¹⁶³ In November 2022 the Government published a consultation on reform to creative industry audio-visual tax reliefs covering film, animation, high-end TV, children's TV and video games. The Government said it was seeking to “go further to support the growth of the audio-visual sector ... ensuring these highly skilled industries continue to thrive in the UK.”¹⁶⁴
80. **Tax reliefs have played an important role in supporting innovation, growth and international competitiveness in the creative industries. We welcome the Government's commitment to continuing such support. But other countries are increasingly adopting similarly competitive tax relief systems. The UK is falling behind. *The Government's consultation on creative industry tax reliefs must benchmark UK incentives against those in other countries to ensure the UK remains competitive.***

Practical support for SMEs

81. Professor Feng Li, Chair of Information Management at Bayes Business School, City, University of London, suggested that the UK's creative

155 BFI, ‘New report show UK tax reliefs power unprecedented boom in UK screen industries’ (13 December 2021): <https://www.bfi.org.uk/news/screen-business-report> [accessed 21 December 2022]

156 *Ibid.*

157 Written evidence from UK Interactive Entertainment Association (CRF0025)

158 Q 37

159 Written evidence from UK Interactive Entertainment Association (CRF0025)

160 Supplementary written evidence from ScreenSkills (CRF0059)

161 HM Revenue & Customs, ‘Claiming Animation Tax Relief for Corporation Tax’ (10 February 2020): <https://www.gov.uk/guidance/claiming-animation-tax-relief-for-corporation-tax> [accessed 29 November 2022]

162 Supplementary written evidence from ScreenSkills (CRF0059)

163 Written evidence from UK Interactive Entertainment Association (CRF0025); Contemporary Visual Arts Network (CRF0034); a-n The Artists Information Company (CRF0050); and ScreenSkills (CRF0059)

164 HM Treasury, *Autumn Statement 2022* (November 2022), p 55: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1118417/CCS1022065440-001_SECURE_HMT_Autumn_Statement_November_2022_Web_accessible_1_.pdf [accessed 21 November 2022]

businesses were “particularly adept at developing new ideas” but “many are much less effective in exploiting and capturing the full commercial and cultural values of their creations and rapidly scaling up”.¹⁶⁵

82. We heard about a range of obstacles and potential solutions relating to SME support in the UK.

Access to capital

83. Access to funding varies significantly across subsectors. Venture capital investment in so-called CreaTech companies¹⁶⁶ reached nearly £1 billion in 2020, for example, a 22 per cent rise since 2019.¹⁶⁷ Other areas receive substantially less.¹⁶⁸ Yet even high-growth areas face challenges: while CreaTech companies tended to be over-represented in early-stage investment types such as seed and angel investment, they raised between 22 and 34 per cent less later-stage funding than other types of businesses.¹⁶⁹
84. We heard numerous barriers to accessing funding. The intangible nature of creative products was cited as increasing investors’ perception of risk.¹⁷⁰ Several witnesses believed the culture of private investment in the UK was more cautious than elsewhere, particularly compared with the US.¹⁷¹
85. Dr Martin Smith said the limited amount of publicly available data on previously successful creative ventures made it harder for investors to understand businesses and evaluate risk.¹⁷² He also drew attention to the lack of specialist fund managers:
- “if few fund managers are capable of doing this work profitably and generating track records persuasive enough to enable them to raise new investment funds ... the availability of capital ... is always likely to be limited.”¹⁷³
86. We heard that the consequences of limited financing included missed opportunities for businesses to grow;¹⁷⁴ founders having to rely on informal or personal capital during lengthy investor discussions, which made selling up more attractive;¹⁷⁵ and a reliance on overseas investors which was associated with talent and IP moving abroad.¹⁷⁶
87. Other jurisdictions have taken a variety of approaches to de-risk investment.¹⁷⁷ The European Union launched a Cultural and Creative Sectors Guarantee

165 Written evidence from Professor Feng Li (CRF0019)

166 Businesses at the intersection of the creative and technology sectors.

167 Tech Nation, *The CreaTech Report 2021* (2021): <https://technation.io/the-createch-report-2021/> [accessed 18 November 2022]

168 Policy and Evidence Centre, ‘The Nature of Foreign Direct Investment in the Creative Industries’ (July 2022): <https://pec.ac.uk/discussion-papers/the-nature-of-foreign-direct-investment-in-the-creative-industries> [accessed 3 December 2022]

169 Juan Mateos-Garcia, *An analysis of Createch R&D business activity in the UK* (September 2021): available at <https://pec.ac.uk/research-reports/createch-activity-in-the-uk> [accessed 11 January 2023]

170 Q 54 (Professor Giorgio Fazio)

171 Q 34 (Verity McIntosh); Q 37 (Catherine Allen); Q 51 (Professor Giorgio Fazio) and Q 57 (Tom Box, Adam Dickinson)

172 Supplementary written evidence from Dr Martin Smith (CRF0069)

173 *Ibid.*

174 Q 51

175 Q 59

176 Q 51

177 Written evidence from ScreenSkills (CRF0004); Advertising Association (CRF0013) and StoryFutures Academy (CRF0036)

Facility in 2016, which provided guarantees for bank loans to creative industries firms.¹⁷⁸ Singapore and the Republic of Korea created state-backed venture capital funds.¹⁷⁹ Professor Hye-Kyung Lee, Professor in Cultural Policy at King's College London, said the Republic of Korea's state-backed venture capital fund "significantly increased capital injection ... [and] provided a fertile ground for the industries to quickly grow."¹⁸⁰ She told us:

"there is a mentality or assumption among policymakers and politicians that the UK is a financial hub and has a well-functioning, advanced financial market, so there is no need to be concerned about cultural financing ... The attitude of South Korean policymakers is very different. They acknowledge cultural businesses' lack of access to finance and try to address that by actively engaging with financial markets."¹⁸¹

88. Dr Martin Smith said there was "too little curiosity in the UK about how other countries do things and ... a pervasive complacency about 'the UK model' and UK global leadership." He suggested the Government should examine international work on the role of specialist lenders, relations between cultural and financial markets, and public-private partnerships.¹⁸²
89. Kevin Hollinrake MP agreed there were "other things we need to look at that could change the landscape and improve access to finance for SMEs". Julia Lopez MP said innovative firms were "getting bought up and then the money in innovation is leaving this country." We heard this was a problem she "very much want[ed] to address".¹⁸³
90. **Access to finance remains a problem for SMEs in the creative industries. A lack of data, investor wariness and overlong processes present barriers to progress. It is not surprising that businesses turn to overseas investors, sell up or move abroad.**
91. *The Government should work with the Creative Industries Council to explore international lessons for improving access to finance. It should set out its plans to address access to finance problems in the forthcoming Sector Vision.*

Business guidance

92. Witnesses told us there were many sources of guidance and business support, but the system for providing them was fragmented and confusing. We heard that small organisations found it particularly hard to understand various sources of funding and guidance. As Dr Molly Morgan Jones, Director of Policy at the British Academy, told the Committee, "They are just overwhelmed ... There is something about simplification of the system that needs to occur".¹⁸⁴

178 European Commission, 'Creative Europe's guarantee facility for the cultural and creative sectors' (2016): https://ec.europa.eu/commission/presscorner/detail/it/MEMO_16_2346 [accessed 2 December 2022]

179 Written evidence from the Advertising Association (CRF0013)

180 Hye-Kyung Lee, 'Supporting the cultural industries using venture capital: a policy experiment from South Korea', *Cultural Trends*, vol. 31 (2022), pp 47–67: <https://doi.org/10.1080/09548963.2021.1926931> [accessed 3 December 2022]

181 [Q 115](#)

182 Supplementary written evidence from Dr Martin Smith (CRF0069)

183 [Q 141](#)

184 [Q 79](#)

93. This echoed recent surveys of creative businesses, which reported difficulties accessing support services at the local level. Some suggested local enterprise partnerships¹⁸⁵ should act as a “one-stop shop” for advice.¹⁸⁶ Dr Martin Smith noted the potential of local enterprise partnerships but said they varied “hugely in capability, scale and resource”.¹⁸⁷ Councillor Phil Seeva of the Local Government Association agreed that “local authorities do not always understand the creative industries” and emphasised the need for organisations such as the Local Government Association to provide guidance.¹⁸⁸
94. We heard that better support for setting up and running a business would be helpful, including how to manage cash flow, tax, pensions and legal issues.¹⁸⁹ Adam Dickinson and Tom Box said they had faced difficulties navigating such areas when establishing their firms.¹⁹⁰ Professor Feng Li of Bayes Business School, City, University of London told us:
- “business training and education is urgently needed ... It should be noted that historically many creative talents ... often lack the financial resources and time to attend high quality business courses to develop commercial awareness and business skills. Adequate financial support to creative talents is required to make such initiatives viable. This is one area where policy interventions are likely to be highly effective.”¹⁹¹
95. There are Government initiatives aimed at tackling some of these challenges. The Creative Scale Up Programme, piloted as part of the 2018 industrial strategy,¹⁹² was welcomed by industry figures.¹⁹³ In 2022 the Government announced this would be expanded into the Create Growth Programme, providing six local area partnerships outside London with £1.275 million each over three years. The programme offers a range of business advice and training services. Its outcomes are not yet clear, but we noted the number of regions benefiting was limited.¹⁹⁴
96. **There is a welcome range of schemes providing business support and guidance. But they remain disjointed and hard to navigate, particularly for small organisations. The Government’s recent**

185 Local enterprise partnerships are voluntary partnerships between local authorities and businesses, with the aim of determining local economic priorities and generating jobs in the local area. They were set up in 2011 to replace regional development agencies (non-departmental public bodies which funded projects and coordinated stakeholders). Local enterprise partnerships originally received no public funding, with funds later made available on a competitive basis.

186 Claudia Burger, ‘How policymakers can support local growth in the creative industries’ (25 February 2020): <https://pec.ac.uk/policy-briefings/how-policymakers-can-support-local-growth>. [accessed 2 December 2020]

187 Supplementary written evidence from Dr Martin Smith (CRF0069)

188 Q 108

189 Creative Industries Federation, ‘Growing the UK’s Creative Industries: What creative enterprises need to thrive and grow’ (7 December 2018), p 39: <https://www.creativeindustriesfederation.com/sites/default/files/2018-12/Creative%20Industries%20Federation%20-%20Growing%20the%20UK's%20Creative%20Industries.pdf> [accessed 21 November 2022]

190 Q 60

191 Written evidence from Professor Feng Li (CRF0019)

192 DCMS, ‘£20 million to boost creative industries across England’ (7 December 2018): <https://www.gov.uk/government/news/20-million-to-boost-creative-industries-across-england> [accessed 2 December 2022]

193 Claudia Burger Eliza Easton, and Hasan Bakhshi, ‘Creative places: Growing the creative industries across the UK’ (13 July 2021): <https://pec.ac.uk/policy-briefings/resilience-in-places-growing-the-creative-industries-across-the-uk> [accessed 2 December 2022]

194 Q 132

Create Growth Programme to support SMEs is welcome but limited in scale. *The Government should monitor the impact of the Create Growth Programme, identify its most effective interventions and help local authorities share key learnings across the country.*

97. ***The Government should work with local authorities to help consolidate guidance for creative sector businesses into easily accessible support hubs. Local enterprise partnerships provide a good vehicle for delivering this work.***

Access to space

98. Access to affordable workspace was another issue raised in our inquiry. Adam Dickinson told us this was one of the biggest obstacles small businesses were currently facing.¹⁹⁵ Research by the Creative Industries Policy and Evidence Centre suggests that access to work and studio space on a long-term basis is important to an organisation's ability to run efficient operations and build profitable networks. Those without access to spaces may struggle to benefit from the clusters that are key to the creative sector's success.¹⁹⁶
99. We heard of models for improving access to space. Creative Land Trusts, for example, involve a blend of funding from donors, investors and grants to purchase freeholds or long leases of permanent, affordable workspaces. The first Creative Land Trust was founded in 2020 by the Mayor of London, Arts Council England, Bloomberg Philanthropies and Outset Contemporary Art Fund. It plans to secure 1,000 studio spaces by 2025.¹⁹⁷ It is being replicated in Margate, with a Creative Land Trust established by Thanet District Council via investment from the Government's Towns Fund.¹⁹⁸ Manchester is reportedly also interested in establishing a Creative Land Trust.¹⁹⁹ Researchers from the University of Exeter, who studied the needs of creative businesses in Devon and Cornwall, suggested Creative Land Trusts and similar models merit further investment and research.²⁰⁰
100. **Lack of access to affordable premises inhibits the growth of creative SMEs. Better co-location programmes could reduce overheads and encourage profitable exchanges of ideas and people. *The Creative Industries Council should work with the Department for Levelling Up, Housing and Communities to evaluate options for improving long-term access to affordable workspaces for creative businesses, such as building on the Creative Land Trust programme.***

Supporting innovation in institutions and organisations receiving public funding

101. We heard concern that digital innovation in creative sector institutions and organisations receiving public funding will come under growing pressure in the next few years. This threatens the UK's position as an international

195 Q 57

196 Lucy McFadzean, Gabriella Giannachi, Joanne Evans, 'Creative Industries Innovation in Seaside Resorts and Country Towns' (1 September 2022): <https://pec.ac.uk/discussion-papers/seaside-resorts-and-country-towns> [accessed 2 December 2022]

197 Creative Land Trust, 'About Us': <https://creativelandtrust.org/about-us/> [accessed 2 December 2022]

198 Written evidence from Greater London Authority (CRF0020)

199 *Ibid.*

200 Lucy McFadzean, Gabriella Giannachi, Joanne Evans, 'Creative Industries Innovation in Seaside Resorts and Country Towns' (1 September 2022): <https://pec.ac.uk/discussion-papers/seaside-resorts-and-country-towns> [accessed 2 December 2022]

leader in this area. Chris Michaels, Digital Director of the National Gallery, said that innovation in the cultural sector had accelerated over the last eight years, stimulated in part by Government funding. However, he warned:

“There is a risk of that going away in the next couple of years. On one side, you have incredible cost pressures on cultural organisations ... inflationary pressures, and potential cuts coming in the next government budget. Those cost pressures risk closing that window of innovation again. If some of that government support in external funding goes away, you take away the gains of the last 10 years.”²⁰¹

102. We noted consequent risks to both the civic value produced by cultural organisations,²⁰² and the economic benefits of R&D in organisations receiving public funding. Annette Mees, Visiting Senior Research Fellow in Culture and Creative Industries at King’s College London, emphasised the importance of talent and innovation flowing “from commercial to non-commercial and back.”²⁰³ In 2018 Arts Council England reported it had awarded £440 million to organisations that subsequently generated approximately £3.4 billion in VAT, corporation tax, income tax and national insurance contributions.²⁰⁴
103. Dr Darren Henley, Chief Executive Officer of Arts Council England, said there was a range of initiatives and funding streams to foster innovation in new technologies.²⁰⁵ We noted however that funding streams are disparate and complex;²⁰⁶ integrating good practice remains challenging;²⁰⁷ and the stop-start nature of grants makes it hard to support cross-disciplinary collaboration or help shift business models towards long-term financial sustainability.²⁰⁸
104. We explored what organisations should do to make the most of the limited funding available. Dr Henley emphasised the importance of creating opportunities “where commercial money and public sector money can come together”.²⁰⁹ Chris Michaels believed that cultural organisations could do more to develop partnerships to share costs over new technology-related projects, and try to avoid developing one-off ventures:

“Finding multiple reapplications is always the thing. That has been a big challenge in the cultural sector. The network effect of how to get reuse

201 [Q 57](#)

202 For further details on civic value of the arts see UKRI, *Understanding the value of arts & culture, the AHRC cultural value project* (2021): <https://www.ukri.org/wp-content/uploads/2021/11/AHRC-291121-UnderstandingTheValueOfArts-CulturalValueProjectReport.pdf> [accessed 1 December 2022].

203 [Q 3](#)

204 Cebr for Arts Council England, *Contribution of the arts and culture industry to the UK economy* (May 2020), p 8: <https://www.artscouncil.org.uk/research-and-data/contribution-art-and-culture-sector-uk-economy> [accessed 1 December 2022]

205 [Q 121](#). See also for example the Digital R&D Fund for the Arts with Nesta and the Arts and Humanities Research Council; Creative XR with Digital Catapult; the UK–Canada Immersive Exchange; and a new category of organisations funded through the National Portfolio Organisations funding programme for 2023–26 which will help other organisations to innovate digitally. For further detail see Arts Council England, ‘Our open funds’: <https://www.artscouncil.org.uk/our-open-funds> [accessed 3 December 2022].

206 [QQ 120, 141](#)

207 [Q 9](#) (Tonya Nelson)

208 Supplementary written evidence from Annette Mees ([CRF0071](#))

209 [Q 121](#)

and collaboration across multiple places is what has held back a lot of this stuff from proper adoption.”²¹⁰

105. **The UK is rightly regarded as an international leader in the arts. Technological innovation and talent exchanges between public and private organisations will be key to the sector’s future success. We welcome Arts Council England’s existing support for improving innovation and digital competence in organisations.**
106. *We recommend Arts Council England works with the Government to incentivise further collaboration between the commercial and non-profit sector to support innovation. This could include Government-backed incentives for SMEs to collaborate with arts organisations, for example. We also recommend that Arts Council England plays an enhanced role in providing coordination among organisations receiving public funding, to support cost sharing on expensive projects and ensure the widest possible reuse of new initiatives.*

CHAPTER 4: SKILLS

107. Skills shortages are pressing across the economy,²¹¹ but are particularly acute in the creative industries. The Rt Hon Robert Halfon MP, Minister of State for Skills, Apprenticeships and Higher Education, said that “88 per cent of employers in the creative occupations find it hard to recruit higher-level skilled individuals, compared to around 38 per cent of employers across the economy.”²¹² Seetha Kumar, CEO of ScreenSkills, told us that in the screen sectors, “skills are currently the biggest single inhibitor to growth.”²¹³ Tom Box, Managing Director of animation studio Blue Zoo, said his company was having to turn away work because of a lack of skilled workers.²¹⁴
108. International competition for creative skills is growing. Dr Martin Smith told us that “it is certain that the global shortage of skills—creative skills, technical skills, cultural management skills and business skills—will intensify as countries compete for regional and global advantage.”²¹⁵ Games industry body UK Interactive Entertainment (Ukie) noted that more remote working had increased the mobility of the workforce and UK firms were increasingly fighting to secure talent against international competitors.²¹⁶ This was echoed by Adam Dickinson, Development Director of virtual reality company Rezzil, who told us smaller regional businesses were struggling with the expectation of matching London or international salaries.²¹⁷
109. We noted that skills shortages were not unique to the creative sector. But we did hear that there needed to be a greater recognition that investing in developing a blend of technical and creative skills was a serious commercial proposition. The highest growth areas such as screen and CreaTech will increasingly rely on such skillsets. Verity McIntosh, Senior Lecturer in Extended and Virtual Realities at University of the West of England (UWE), told us that those who could

“meld science and technology with artistry [are] absolute unicorns ... but increasingly I am finding people come in quite nervous about whether they are taking a risk by investing in their own creativity. We have to tell them that it is worth it”²¹⁸

Identifying skills shortages and the data gap

110. We heard that skills gaps were widespread. Eliza Easton, Deputy Director of the Creative Industries Policy and Evidence Centre (PEC), told us the most common shortages reported to the PEC were in digital, design and craft skills.²¹⁹ The BFI Skills Review 2022 estimated that film and high-end television will require between 15,130 and 20,700 additional full-

211 For further information on skills needs see CBI, *Delivering a labour market that supports growth* (26 July 2022), available at: <https://www.cbi.org.uk/articles/labour-shortages-are-holding-back-growth/> [accessed 4 January 2023]; Department for Education, *Labour market and skills demand horizon scanning and future scenarios* (May 2022): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1077930/Labour_Market_and_Skills_Demand_Horizon_Scanning_and_Future_Scenarios_FINAL.pdf [accessed 4 January 2023]

212 [Q 133](#)

213 [Q 74](#)

214 [Q 57](#)

215 Written evidence from Dr Martin Smith ([CRF0003](#))

216 Written evidence from Ukie ([CRF0025](#))

217 [Q 57](#)

218 [Q 37](#)

219 [Q 82](#)

time employees by 2025.²²⁰ This did not include visual effects, animation or unscripted production.²²¹ ScreenSkills said there were already “crucial pressure points” in entry and mid-tier roles in the screen industries, from 2D and 3D animators and designers, to sound technicians, to hair and makeup artists.²²² Ukie emphasised the shortage of 3D programming skills in the video games industry.²²³

111. We found a lack of consistent data and metrics on skills shortages in the creative industries. A study by the PEC illustrated this problem: researchers had to draw on over 300 sources of information for the survey. They found this “indicative of the challenge of developing a coherent and compelling narrative” to present to policymakers.²²⁴ Dinah Caine, Chair of the Camden STEAM Commission, told us a lack of data on the creative industries “because of the way that the DfE collects it ... has impacted on investment in, and concern around, creative courses”.²²⁵
112. Official data provide a partial picture, though the Office for National Statistics’ Standard Industrial Classification codes, used to measure economic activity and determine the balance of jobs in an industry, did not have an industry code for computer games, for example.²²⁶ Eliza Easton said the high proportion of freelancers made data collection even more difficult. She noted the Government was working to improve job classifications, but progress was slow.²²⁷ Dr Lisa Morrison Coulthard, Research Director of the National Foundation for Educational Research said there was a “need for the Government to take control.”²²⁸
113. Several witnesses said the recent launch of the Unit for Future Skills was a positive step towards better data collection and collation.²²⁹ The Unit was set up in May 2022 by the Department for Education (DfE) to improve the quality of jobs and skills data, and to make this information more accessible to policymakers and the public. The Unit’s stated priority for 2022 was to develop a workplan focused on four areas:
 - an improved careers pathways dashboard, providing more detail on which qualifications support employment in a local area;
 - a skills demand dashboard showing what types of jobs are being advertised in a locality;
 - conducting research projects on future skills demand forecasting and a UK specific skills taxonomy; and

220 British Film Institute, *BFI Skills Review 2022* (29 June 2022), p 8: <https://www.bfi.org.uk/industry-data-insights/reports/bfi-skills-review-2022> [accessed 23 November 2022]

221 [Q 74](#) (Seetha Kumar)

222 Written evidence from ScreenSkills ([CRF0004](#))

223 Written evidence from Ukie ([CRF0025](#))

224 Heather Carey, Rebecca Florisson and Lesley Giles, *Skills, talent and diversity in the creative industries* (November 2019), pp 44–45: <https://pec.ac.uk/discussion-papers/skills-talent-and-diversity-in-the-creative-industries> [accessed 23 November 2022]

225 [Q 88](#)

226 [Q 87](#)

227 Ibid.

228 [Q 66](#)

229 [Q 66](#) (Dr Lisa Morrison Coulthard); [Q 74](#) (Dr Molly Morgan Jones) and [Q 87](#) (Eliza Easton)

- gathering feedback from users to help shape the Unit’s products and longer-term priorities.²³⁰
114. Dr Lisa Morrison Coulthard said the Unit for Future Skills presented a “real opportunity” to make skills policy “properly data driven”.²³¹ Eliza Easton said it should invest in “real-time mapping, using job adverts to give people a sense of how many jobs are out there and what they are called.”²³²
115. The Rt Hon Robert Halfon MP told us the Unit would look at skills shortages “in micro detail”. He said it had already created a “number of dashboards”.²³³
116. **Skills shortages present a major challenge to the creative industries. But detailed data on these shortages are limited and fragmented. This makes it difficult to forecast future requirements and develop evidence-based policy interventions that target priority areas. We welcome the launch of the Unit for Future Skills, but there is an urgent need for progress in its work. *The Government should set out its plans for improving the collection and use of skills data (including on freelancers) in the creative industries to inform and drive change in skills policy.***

Pre-16 education

117. We heard that the English school system is not preparing students adequately for careers in the creative industries. Witnesses told us that pre-16 education plays a key role in providing students with a broad range of skills and shaping the pathways they then choose to take at 16, from vocational to higher education. We heard however that careers guidance currently takes insufficient account of the myriad opportunities in the creative sector. Witnesses also highlighted how this is exacerbated by the lack of prominence afforded to creativity²³⁴ in the curriculum.

Careers guidance

118. A common theme in our evidence was the lack of awareness among students of jobs and pathways into the creative industries. Sir Peter Bazalgette noted that 41 per cent of 16-year-olds “did not know that there was such a thing as a screen industry career”.²³⁵ Tom Box, Managing Director of Blue Zoo animation studio, said a better understanding of career pathways would “massively change” the number of young people entering the workforce. He gave the example of teaching children to code using Python:

“when I have asked school children what they use Python for, they have said, ‘Oh, my teacher told us it is for building websites.’ They do not seem to know that the films they have been to see at the weekend,

230 Department for Education, *Unit for Future Skills*: <https://www.gov.uk/government/groups/unit-for-future-skills> [accessed 2 December 2022]

231 [Q 66](#)

232 [Q 87](#)

233 [Q 133](#)

234 The Durham Commission on creativity and education defined creativity as “The capacity to imagine, conceive, express, or make something that was not there before” and creative thinking as “A process through which knowledge, intuition and skills are applied to imagine, express or make something novel or individual in its contexts.” See: Arts Council and Durham University, *Durham Commission on Creativity and Education* (2021): https://www.artscouncil.org.uk/sites/default/files/download-file/Durham_Commission_on_Creativity_04112019_0.pdf [accessed 12 December 2022]

235 [Q 125](#)

whether it is Star Wars or Marvel, have used Python at the back-end to create all the visual effects on that film.”²³⁶

119. Education and training providers have a duty to provide pupils with independent careers guidance from Years 8 to 13. From 1 January 2023, the Skills and Post-16 Education Act made it a legal requirement for schools to ensure all pupils in Years 8 to 13 have at least six opportunities to meet providers of approved technical education qualifications or apprenticeships.²³⁷ The Careers & Enterprise Company was established in 2014 to support providers, training teachers to deliver guidance and establishing Careers Hubs of secondary schools, colleges and business partners; 45 per cent of mainstream schools and colleges are part of the model.²³⁸ However, Kevin Hollinrake MP, Parliamentary Under Secretary of State at the Department for Business, Energy and Industrial Strategy, acknowledged: “We talk to too many businesses that say they have never heard of the Careers & Enterprise Company, so there is definitely a big opportunity there”.²³⁹
120. The Department for Education expects all schools and colleges to use the internationally recognised Gatsby Benchmarks for careers guidance. The benchmarks are non-statutory but provide a framework.²⁴⁰

Figure 3: Gatsby Benchmarks

Benchmark 1	A stable careers programme
Benchmark 2	Learning from career and labour market information
Benchmark 3	Addressing the needs of each pupil
Benchmark 4	Linking curriculum learning to careers
Benchmark 5	Encounters with employers and employees
Benchmark 6	Experience of workplaces
Benchmark 7	Encounters with FE and HE
Benchmark 8	Personal guidance

Source: Gatsby, *Good career guidance: Reaching the Gatsby Benchmarks: A handbook for secondary schools*, (2018): <https://www.gatsby.org.uk/uploads/education/good-career-guidance-handbook-digital.pdf> [accessed 2 December 2022]

²³⁶ Q 59

²³⁷ Department for Education, Careers boost for young people (5 January 2023): <https://www.gov.uk/government/news/careers-boost-for-young-people> [accessed 10 January 2023]

²³⁸ Written evidence to the Youth Unemployment Committee inquiry from the Careers & Enterprise Company, 23 September 2021 (YUN0035)

²³⁹ Q 136

²⁴⁰ Department for Education, Careers guidance and access for education and training providers (September 2022): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1103188/Careers_statutory_guidance_September_2022.pdf [accessed 30 November 2022]

121. Several witnesses suggested the Gatsby Benchmarks should be further embedded to improve guidance on creative careers. Olly Newton, Executive Director of the Edge Foundation, told us the benchmarks
- “take us a long way forward, but the challenge is in the delivery. At the moment, delivery is quite patchy ... all schools need to have a careers leader. That could be someone whose full-time role is as a careers leader, which is wonderful, or it could be the geography or PE teacher’s Wednesday afternoon job.”²⁴¹
122. The Edge Foundation has called for a statutory entitlement for all young people to workplace experience offering a range of pathways.²⁴² The House of Lords Youth Unemployment Committee recommended making careers guidance a compulsory element of the primary and secondary curriculum.²⁴³ In January 2023, the Government announced a new careers programme for primary schools, to be delivered by the Careers and Enterprise Company. The programme will be targeted at 55 disadvantaged areas of the country where school outcomes are the weakest.²⁴⁴
123. Better data are also needed. Eliza Easton told us that official statistics on creative industries were “outdated ... in the kinds of jobs they highlight ... I have sympathy with [careers advisers] who are trying to wrap their heads around a sector that has changed so quickly.”²⁴⁵ Dinah Caine said careers guidance must be informed by “market intelligence, labour market information and future facing information.”²⁴⁶
124. Julia Lopez MP hoped initiatives such as a new £950,000 Creative Careers Programme would help, “because there is a disconnect at the moment between education providers and the jobs that are actually being created.”²⁴⁷ She noted a “wider perception shift” was still needed in Government and society around the “fulfilling and lucrative careers” possible within the creative industries.²⁴⁸
125. **Careers guidance at school on the creative sector is vital. But its current provision is not good enough. Delivery is patchy and disjointed. Information about careers in the creative sector is too often out of date. The Careers & Enterprise Company does important work but is insufficiently well known. We were pleased that ministers recognised the need for improvements. *The Government should work with education leaders and industry bodies to promote the work of the Careers & Enterprise Company. Programmes providing guidance on routes into the creative sector need to be expanded.***
126. **The Gatsby Benchmarks provide a good opportunity for influencing the provision of careers guidance. *The Benchmarks’ guidance should be revised to include references to careers in the creative industries.***

241 [Q 87](#)

242 Edge Foundation, ‘Schools Education—Coherent, Unified, Holistic’: <https://www.edge.co.uk/policy/support-us/schools-and-14-19-education-coherent-unified-holistic/> [accessed 2 December 2022]

243 Youth Unemployment Committee, *Skills for every young person* (Report of Session 2021–22, HL Paper 98) para 119

244 Department for Education, ‘Careers boost for young people’ (5 January 2023): <https://www.gov.uk/government/news/careers-boost-for-young-people> [accessed 5 January 2023]

245 [Q 87](#)

246 *Ibid.*

247 [Q 136](#)

248 [Q 137](#)

127. ***We endorse the recommendation of the House of Lords Youth Unemployment Committee that careers guidance be made a compulsory element of the primary and secondary curriculum.***

Creativity in school

128. As noted in Chapter 2, the increasing digitalisation of the creative industries has led to a growing need for individuals with both creative and technical skills. Dinah Caine raised concerns about a “divide between STEM²⁴⁹ subjects and creative and arts subjects”, and said it was crucial to have an education system which “recognises the strength of each and brings them together”.²⁵⁰
129. There have been ongoing calls for the Government to support a STEAM²⁵¹ agenda, which would encourage studying STEM subjects in combination with arts and design-based courses.²⁵² We also heard that developing creativity is not restricted to ‘creative subjects’:²⁵³ witnesses noted that all subjects, including maths and engineering, can be taught in a way that fosters creativity.²⁵⁴
130. Trends in GCSE entries show a decline in take-up of courses offering a combination of creative and technical subject matter.²⁵⁵ As Figure 4 shows, there has been a 70 per cent decline in GCSE entries in design and technology between 2010 and 2021. Eliza Easton noted that some of the biggest skills gaps in the creative economy related closely to topics that could be taught in design and technology courses.²⁵⁶ There has also been a 40 per cent decline in GCSE entries in other creative subjects.²⁵⁷

249 Science, Technology, Engineering and Maths.

250 [Q 82](#)

251 STEM plus Arts & Design

252 Creative Industries Policy and Evidence Centre, *Skills, talent and diversity in the creative industries* (November 2019): <https://pec.ac.uk/discussion-papers/skills-talent-and-diversity-in-the-creative-industries> [accessed 1 December 2022]

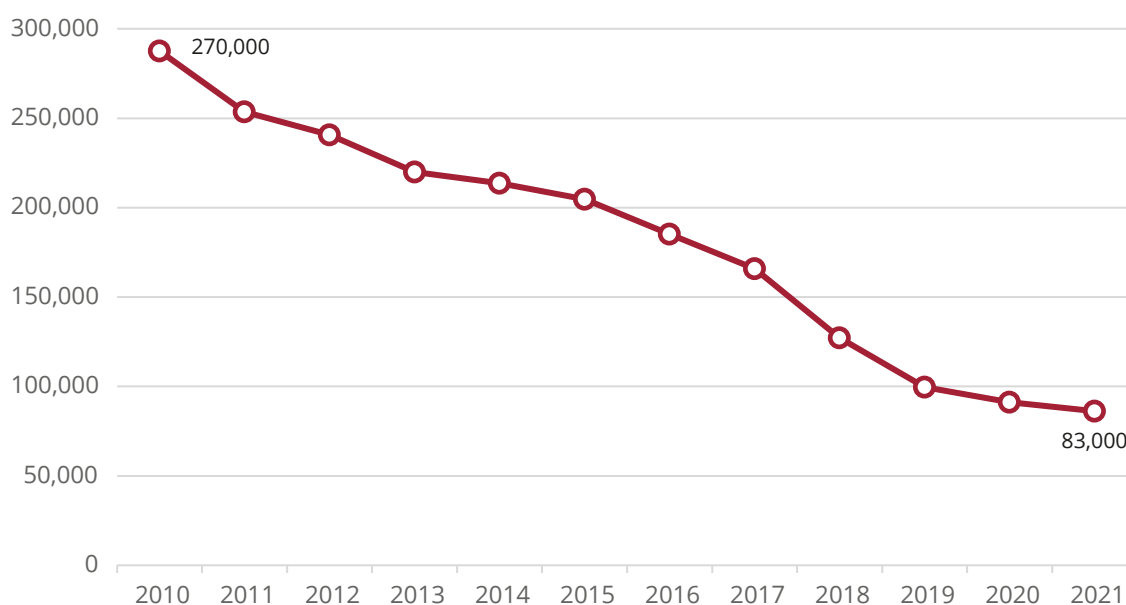
253 ‘Creative subjects’ typically include Design & Technology, drama, media, film, TV studies, music, performing arts.

254 [Q 83](#) (Dinah Caine) and [Q 84](#) (Eliza Easton)

255 Written evidence from the Crafts Council ([CRF0005](#))

256 [Q 82](#)

257 Youth Unemployment Committee, *Skills for every young person* (Report of Session 2021–22, HL Paper 98), Figure 14

Figure 4: Design and technology GCSE entries since 2010

Source: Joint Council for Qualifications CIC, 'Examination results': <https://www.jcq.org.uk/examination-results/> [accessed 2 December 2022]

131. We examined the relationship between these declines and the incentives created by the English Baccalaureate. The Government introduced the English Baccalaureate (EBacc) in 2010. It provided a measurement for the number of secondary school pupils taking, and performing well, in:
- English literature and language
 - Maths
 - Sciences
 - History or geography
 - A modern foreign language.
132. The EBacc is not compulsory but is encouraged. According to the Government, EBacc subjects are “considered essential to many degrees and open up lots of doors.”²⁵⁸
133. We heard that this sent a message that creative knowledge and skills were not a route to jobs, exacerbating the issue of inadequate careers guidance. Dinah Caine told us for example that the EBacc made creative and interdisciplinary teaching much harder in secondary school than in primary school.²⁵⁹ The House of Lords Youth Unemployment Committee found in 2021 that the national curriculum and the EBacc were “too narrowly focused to ensure that [they prepare] all young people for the modern labour market and the essential, technical and creative skills it requires, in particular for the creative, green and digital sectors.”²⁶⁰

258 Department for Education, 'English Baccalaureate' (2019): <https://www.gov.uk/government/publications/english-baccalaureate-ebacc/english-baccalaureate-ebacc> [accessed 1 December 2022]

259 Q 82

260 Youth Unemployment Committee, [Skills for every young person](#) (Report of Session 2021–22, HL Paper 98), para 82

134. Alun Francis, Chief Executive of Oldham College, cautioned that sweeping changes to the overall pre-16 education system could be challenging and disruptive.²⁶¹ We noted however that useful changes could be made within existing frameworks, illustrated for example by Camden Council’s STEAM Hub.²⁶² As Sir Peter Bazalgette argued, the Department for Education is “normally on the receiving end of everybody telling them their subject is the most important thing in the world”, but the issue of preparing students for the future is much “wider” than advocating for changes to the core curriculum.²⁶³ A 2018 report by Nesta and the Creative Industries Federation for example recommended that Ofsted ‘Outstanding’ ratings should only be given to schools that can demonstrate excellence in creative and technical teaching as well as in “academic subjects.”²⁶⁴
135. The Rt Hon Robert Halfon MP told us the Government had no plans to change the EBacc, but maintained he “would absolutely like to see more students doing creative subjects and creative GCSEs”.²⁶⁵ He emphasised the Government’s National Music Plan, forthcoming Cultural Education Plan and £115 million investment in arts, culture and heritage subjects.²⁶⁶
136. **Employers are increasingly calling for a blend of creative and digital skills. This interdisciplinary approach needs to be encouraged at school. Yet there are too few incentives for students to study a combination of creative and STEM subjects. The Government has been clear it has no plans to expand the EBacc. While this is a matter of regret, we have heard that improvements can be made without wholesale reform to the education system.**
137. *The Department for Education must tackle the decline in take up of school subjects relevant to the creative industries—particularly Design and Technology. It should start by urgently promoting the value of creative subjects and highlighting the rewarding career opportunities they can offer. It should also review other options, such as including a greater focus on creative education in Ofsted’s inspection regime. The Department should provide an initial update on its plans in response to this report and a further update by the end of June 2023.*

Post-16 education

138. Post-16 education is key to developing individuals with skills relevant to the creative industries. We heard that the provision of courses was extensive but fragmented and confusing. Robert West said there were “circa 400 qualifications available to employers, but they do not always align to local skills needs or local sector needs.”²⁶⁷ Seetha Kumar of ScreenSkills told us there were:

261 Written evidence from Alun Francis (CRF0070)

262 Further supplementary written evidence from Danielle Tobin and Dinah Caine, Camden STEAM (CRF0067)

263 Q 127

264 Creative Industries Federation and Nesta, *Creativity and the Future of Work* (27 March 2018) p 3: Available at <https://www.nesta.org.uk/report/creativity-and-the-future-of-work/> [accessed 21 December 2022]

265 Q 137

266 *Ibid.*

267 Q 79

“4,120 creative courses in higher education—across animation, film, games, television, media production, screenwriting, post-production and visual effects—yet you have employers saying, ‘We cannot get people that we can recruit’ ... The problem is the disconnect.”²⁶⁸

139. This problem is particularly pronounced in vocational education. Simon Field, Director of the consultancy Skills Policy, noted that students were faced with a choice “between a Higher National Diploma, a Diploma in Higher Education, a Foundation Degree and a level 5 apprenticeship”. These were offered “without any real guidance about the distinctions between these options or their relative value.”²⁶⁹
140. In December 2018 the then Secretary of State for Education announced proposals to introduce employer-led national standards for higher technical education, through which high-quality qualifications would be recognised with kitemarks.²⁷⁰ Several kitemarking schemes in the creative industries have since been developed.²⁷¹ Creative industry leaders surveyed by the PEC in 2019 were generally unfamiliar with these kitemarking schemes, though supported the idea.²⁷²
141. Recent governments have acknowledged the need to simplify the post-16 education system. In 2021 the Government announced reforms to “streamline and improve the quality” of level 3 qualifications,²⁷³ and noted the education and skills system had been “less successful in consistently guiding students towards the courses or the jobs that will benefit them, and the country, the most.”²⁷⁴ This involved the introduction of T Levels as the main vocational alternative to A Levels, and the removal of funding approval for 16–19 qualifications that overlap with them.²⁷⁵
142. **Post-16 education plays a critical role in developing skills for the creative industries. But training pathways are confusing for students and employers. Clearer routes into the industry are needed.**

268 Q 76

269 Simon Field, *Beyond the missing middle: developing higher technical education* (November 2020), p 47: <https://www.gatsby.org.uk/uploads/education/beyond-the-missing-middle-pvw.pdf> [accessed 10 January 2023]

270 Department for Education, ‘Damien Hinds Technical Education Speech’ (December 2018): <https://www.gov.uk/government/speeches/damian-hinds-technical-education-speech> [accessed 24 November 2022]

271 ScreenSkills, ‘Why choose a ScreenSkills Select Course?’: <https://www.screenskills.com/training/screenskills-select/why-choose-a-screenskills-select-course/> [accessed 24 November 2022]

272 Creative Industries Policy and Evidence Centre, *Insights from our Industry Champions: The Value of Creative Higher and Further Education* (October 2019): available at <https://pec.ac.uk/policy-briefings/insights-from-our-industry-champions-the-value-of-creative-higher-and-further-education> [accessed 11 January 2023]

273 Department for Education, *Review of post-16 qualifications at level 3 in England: Policy Statement* (July 2021) p: 4 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003821/Review_of_post-16_qualifications_at_level_3_in_England_policy_statement.pdf [accessed 24 November 2022]

274 Department for Education, *Review of post-16 qualifications at level 3 in England: Policy Statement* (July 2021) p: 7 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003821/Review_of_post-16_qualifications_at_level_3_in_England_policy_statement.pdf [accessed 24 November 2022]

275 Department for Education, *Review of post-16 qualifications at level 3 in England: Policy Statement* (July 2021) p: 14 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003821/Review_of_post-16_qualifications_at_level_3_in_England_policy_statement.pdf [accessed 24 November 2022]

T Levels

143. T Levels are vocational equivalents to A Levels, consisting of 80 per cent classroom learning and 20 per cent industry placement. The first T Level students started in September 2020. From 2023, it is expected that 24 T Levels covering 11 technical education routes will be available.
144. Witnesses told us T Levels were welcome but could be better aligned with the needs of the creative industries. Dinah Caine praised T Levels as an “excellent idea”, but said that the 45-day work experience placements with a single employer were “almost impossible” for creative employers to deliver due to the short-term, project-based nature of work in much of the sector.²⁷⁶ Seetha Kumar told us T Levels “just do not work” for screen industries and argued that Government should engage more closely with industry in developing courses.²⁷⁷ For example, confidentiality clauses and industry regulations prevent those under 18 from working on film and television production.²⁷⁸
145. Prior to the introduction of T Levels some creative industries employers expressed dissatisfaction with the quality of further education courses, noting particular concerns about the lack of emphasis on business and communication skills.²⁷⁹ The ‘Craft and Design’ and ‘Media, Broadcast and Production’ T Levels due to start in September 2023 are described on the Government website as covering “the creative economy” as part of the courses’ core content.²⁸⁰
146. When we questioned ministers about their plans to address employer concerns, Julia Lopez MP acknowledged “challenges with the work placements”; small businesses in particular find it harder to accommodate the work experience required.²⁸¹
147. **T Levels provide a key vocational route into creative occupations. But some adjustments may be needed to ensure they deliver on their objectives. The requirements for workplace placements are hard for many creative sector businesses to provide. And business skills must feature more prominently in the content of courses aimed at the creative industries, given the high proportion of freelancers in the sector. Closer collaboration between the Department for Education and the Department for Digital, Culture, Media and Sport will be key to making these changes a success.**
148. *The Department for Education must work closely with the Department for Digital, Culture, Media and Sport in keeping under review the content and structure of T Level courses relating to the creative industries.*

276 [Q 85](#)

277 [Q 79](#)

278 Written evidence from ScreenSkills ([CRF0004](#))

279 Creative Industries Policy and Evidence Centre, *Insights from our Industry Champions: The Value of Creative Higher and Further Education* (October 2019): available at <https://pec.ac.uk/policy-briefings/insights-from-our-industry-champions-the-value-of-creative-higher-and-further-education> [accessed 11 January 2023]

280 HM Government, ‘T levels’: <https://www.tlevels.gov.uk/> [accessed 5 December 2022]

281 [Q 135](#)

Apprenticeships

149. An apprenticeship programme involves 20 per cent classroom study and 80 per cent practical training. Apprenticeship programmes are funded by the Apprenticeship Levy. Since the levy was introduced in 2017, there have been calls to reform it to be more flexible. The 12-month contract rule can be difficult to commit to for creative businesses where work is typically project-based and shorter term.²⁸² Our predecessor committees have repeatedly called for reform of the Apprenticeship Levy.²⁸³
150. In February 2022 the Government introduced Flexi-Job Apprenticeships, designed to ensure that those sectors with non-standard employment models could access the benefits of apprenticeships. Under this scheme, an apprentice may secure multiple short employment contracts directly with businesses, or via an agency.²⁸⁴ Pact, the UK screen sector trade body, welcomed the pilot, though noted it is too early to tell whether the changes are working.²⁸⁵ The National Theatre also welcomed the Flexi-Job Apprenticeships but raised concerns around “the lack of financial provision to learning providers delivering these apprenticeships models.”²⁸⁶
151. Many witnesses repeated existing concerns about the main apprenticeship scheme, suggesting the flexi-job scheme would benefit from more publicity.²⁸⁷ Dr Lucy McFadzean, Professor Gabriella Giannachi and Joanne Evans from the University of Exeter recommended that the Institute for Apprenticeships and Technical Education accelerates the availability of flexible apprenticeships in creative sector occupations outside the large organisations currently taking part in the pilot, such as the BBC.²⁸⁸ Alun Francis noted the success of group training associations in other sectors such as construction, which the creative sector may be able to learn from.²⁸⁹
152. **The apprenticeship scheme remains poorly suited to a large proportion of creative businesses, who are unable to provide the required length of training placements due to the short-term, project-based nature of much work in the sector. We welcome the recent launch of the pilot of flexi-job apprenticeships. We recommend the flexi-job apprenticeships pilot is promoted more widely.**

Higher education

153. We heard the economic potential of the creative sector is built on a variety of roles and qualifications, including higher education. Ed Shedd, Partner in Technology, Media and Communications at Deloitte, told us “the creative services sector has a very diverse set of jobs. It is very inclusive. It appeals to

282 Written evidence from ScreenSkills (CRF0004) and Equity (CRF0010); Q 60 (Tom Box)

283 Communications Committee, *UK advertising in a digital age* (1st Report, Session 2017–19, HL Paper 116), paras 181–182; Communications and Digital Committee, *Public service broadcasting: as vital as ever* (1st Report, Session 2019, HL Paper 16), para 123; Communications and Digital Committee, *Breaking news? The future of UK journalism* (1st Report, Session 2019–21, HL Paper 176), para 174

284 Education and Skills Funding Agency, ‘Flexi-Job Apprenticeships’ (3 August 2021): <https://www.gov.uk/guidance/flexi-job-apprenticeship-offer> [accessed 8 December 2022]

285 Written evidence from Pact (CRF0029)

286 Written evidence from the National Theatre (CRF0033)

287 Written evidence from Equity (CRF0010); Advertising Association (CRF0013) and UK Interactive Entertainment (CRF0025)

288 Written evidence from Dr Lucy McFadzean, Professor Gabriella Giannachi, Joanne Evans (CRF0011)

289 Written evidence from Alun Francis (CRF0070)

the graduates of this world, and it employs those who want to do vocational jobs.”²⁹⁰

154. We noted however that the balance of qualifications studied by new and prospective entrants to sector is not aligned with business needs. The creative workforce is more likely to hold a higher education degree than the overall workforce: 75 per cent compared to 44 per cent.²⁹¹ However, this did not necessarily reflect the needs of the sector. As ScreenSkills told us:

“Higher Education courses fail to train individuals for the skills that our sector needs: film studies or TV broadcasting courses do not relate to the occupations we actually need to train people for, and in some cases overshoot i.e., training at level 3 and level 4 within further education is often sufficient to support candidates to progress into roles within the sector.”²⁹²

155. The Rt Hon Robert Halfon MP acknowledged the need for balance between university and vocational qualification.²⁹³

156. The UK should be well placed to produce graduates who will meet the needs of the creative industries future workforce. Verity McIntosh noted that while other countries, particularly in Asia, were strong in producing highly skilled science and technology graduates, the UK had the opportunity to produce graduates who were highly skilled at the intersection of creativity and technology. She told us “my graduates ... in that middle space between arts and creativity and technology ... are ridiculously employable. They cannot fend off offers quick enough.”²⁹⁴ The Royal College of Art notes that it is “vital that the Government does not allow a narrative to develop which positions arts degrees as leading to lower quality careers”.²⁹⁵

157. However, we heard that the Government has not been taking proper account of the value of creative higher education courses. Caroline Norbury, Chief Executive of Creative UK, told us there was “worrying rhetoric about creative degrees being low value.”²⁹⁶ Dr Molly Morgan Jones said “universities are closing or being asked to close or justify low-value courses. We would argue that it is not happening on the basis of evidence that is being looked at in a holistic way.”²⁹⁷ Witnesses told us that the Office for Students had introduced a measurement of ‘low value’ courses which did not reflect the economic contributions of creative graduates: creatives often begin as freelancers, start their own businesses and salaries tend to remain lower for longer than in other occupations before a later increase.²⁹⁸

158. **The Department for Education’s sweeping rhetoric about ‘low value courses’ is unhelpful. We agree that universities should provide good value for money. But the Department must also acknowledge that many of those going into the creative industries will work flexibly,**

290 [Q 2](#)

291 [Q 72](#) (Lesley Giles)

292 Written evidence from ScreenSkills ([CRF0004](#))

293 [Q 136](#)

294 [Q 37](#)

295 Written evidence from Royal College of Art ([CRF0041](#))

296 [Q 6](#)

297 [Q 80](#)

298 [Q 76](#) (Dr Molly Morgan Jones) and Creative Industries Policy and Evidence Centre, ‘For love or money?’: <https://pec.ac.uk/research-reports/for-love-or-money> [accessed 5 December 2022]

in freelance roles, and take time to generate higher salaries. That does not mean their studies and subsequent jobs are less worthwhile. *The Department for Education, in providing strategic direction to the Office for Students, should change its approach to ‘low value courses’ to take better account of the realities of work in the creative industries. This should take more detailed account of business lifecycles and freelance work.*

Lifelong learning

159. Given the pace of technological change, much of our evidence indicated that workers will need to be continually upskilled as the creative industries change.²⁹⁹ Robert West of the CBI told us that 80 per cent of 2030’s workforce was already in the labour market, and therefore “reskilling and upskilling people who are already working in the creative industries ... is the biggest game in town”.³⁰⁰ Some witnesses suggested the UK did not have a culture of investing in adult learning in the same way as other countries.³⁰¹
160. The Skills and Post-16 Education Act 2022 introduced a number of measures including a Lifelong Loan Entitlement (LLE). The Government said the LLE will from 2025 provide individuals with a loan entitlement equivalent to four years of post-18 education to use over their lifetime. It will be available for modular and full-time study at higher technical and degree levels (levels 4 to 6), regardless of whether they are provided in colleges or universities.³⁰² Witnesses referred to the Lifelong Loan Entitlement, currently under consultation, as “critical” and potentially “transformational”.³⁰³
161. Previously, the November 2020 Spending Review announced a lifetime skills guarantee, providing adults with free access to level 3 qualifications in a range of subjects identified as growth areas. Initially open in the first year only to adults who had not previously achieved a level 3 qualification, as of April 2022 the programme was expanded to all adults. Though mostly in areas like engineering, health, construction and accountancy, two qualifications relevant to the creative industries, Digital Product Design and Games Technologies, are offered. Lord Watson of Invergowrie, Shadow Minister for Education, questioned why nearly a million ‘priority’ jobs, including creative and digital roles such as architects and programmers, were excluded from the lifetime skills guarantee.³⁰⁴
162. The University of the Arts London welcomed the Government’s LLE as an opportunity to upskill and reskill a cohort of creative sector workers at a time of technological change. The university said that, since creative skills featured minimally in the lifetime skills guarantee, it was “important that creative art and design is not exempt from the LLE and that individuals are not discouraged from taking up those subjects.”³⁰⁵

299 Written evidence from ScreenSkills (CRF0004); Advertising Association (CRF0013); The Society of Authors (CRF0031); The National Theatre (CRF0033); Creative Informatics (CRF0035) and UK Music (CRF0037)

300 Q 74

301 Q 93 (Simon Field) and Q 97 (Corienne Peasgood)

302 Department for Education, *Lifelong Loan Entitlement Government Consultation* (24 February 2022), p 8: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1056948/CP_618_Lifelong_Loan_Entitlement_Consultation_print_version.pdf [accessed 5 December 2022]

303 Q 97 (Corienne Peasgood; Dr Paul Thompson)

304 HL Deb, 12 May 2021, cols 41–45

305 Written evidence from University of Arts London (CRF0044)

163. **The new Lifetime Skills Guarantee and Lifelong Loan Entitlement are welcome. Courses available as part of the Lifetime Skills Guarantee and Lifelong Loan Entitlement should be informed by labour market data on creative industry skills needs.**

Improved coordination

164. As noted above, we heard employers desired greater engagement with education institutions to make sure training meets the needs of industry. However, we heard that businesses faced difficulties with engagement.
165. Many witnesses told us they wanted the Government’s business and skills policy to be better joined up, and for the Government to play a stronger coordinating role between education and industry. Professor Steven Spier, Vice-Chancellor of Kingston University, argued that “education and business policy are completely siloed ... Sometimes you feel like the DfE is pulling against what DCMS or BEIS is trying to do.”³⁰⁶ Seetha Kumar noted that while growth in the screen sectors has been promoted by tax reliefs and investment in building new studios, these projects were launched without an accompanying skills plan to supply the people to work there.³⁰⁷
166. One forum for coordinating the needs of the sector and communicating them to the Government is provided by the Creative Industries Council, co-chaired by the Secretaries of State for Digital, Culture, Media and Sport (DCMS) and Business, Energy and Industrial Strategy (BEIS) alongside an industry co-chair. There is no representation of the Department for Education (DfE) on the Council. Sir Peter Bazalgette, the industry co-chair, told us he wanted the Council better to engage DfE.³⁰⁸ He also noted the level of BEIS engagement was lower than that of DCMS, and emphasised the importance of maintaining a strong “partnership between the two.”³⁰⁹
167. Professor Steven Spier praised the Creative Industries Council and suggested the Government could create a similar Skills Council bringing together DfE and BEIS. Ministers noted DCMS and DfE already co-chair an internal “creative advisory group” involving industry.³¹⁰ We heard, however, that coordination between business and skills policy should be more formalised. Equity suggested that lessons could be learned from the Welsh Government, which launched a ‘Creative Skills Action Plan’ in May 2022.³¹¹ Professor Spier argued that the Skills, Apprenticeships and Higher Education Minister should have a seat in BEIS:

“BEIS is where the discussions about the future world of work are happening. The Higher Education Minister does not have any part in those conversations ... The skills are going to be delivered by FE and HE but they are not at the table when these conversations are being had.”³¹²

168. **Engagement between employers and education policy is important, but too often fragmented or duplicative. The Government should**

306 [Q 66](#)

307 [Q 74](#)

308 [Q 129](#)

309 [Q 128](#)

310 [Q 133](#) (Robert Halfon MP) and [Q 139](#) (Julia Lopez MP)

311 Written evidence from Equity ([CRF0010](#))

312 [Q 66](#)

be more active in providing co-ordination. *The Creative Industries Council should have engagement from the Department for Education to support coordination between creative business needs and skills policy.*

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

The case for action

1. In recent years the creative industries have delivered more economic value than the life sciences, aerospace and automotive sectors combined. The Government has a major opportunity to put the sector at the heart of its future growth agenda. It is failing to do so. (Paragraph 21)
2. *The Government should commit to placing the creative industries at the heart of its growth plans. It should explain its rationale for omitting the creative industries from its Autumn Statement priority growth sectors.* (Paragraph 21)
3. We welcome the Government's plans for a Creative Industries Sector Vision, which has been delayed since summer 2022. (Paragraph 22)
4. *The Government should publish the Sector Vision at the earliest opportunity. The Government should take account of the conclusions and recommendations in this report when implementing the Sector Vision's workstreams.* (Paragraph 22)

A digital future

5. The Intellectual Property Office's proposed changes to intellectual property law are misguided. They take insufficient account of the potential harm to the creative industries. They were not even defended by the minister in the Department for Digital, Culture, Media and Sport whose portfolio stands to be most affected by the change. Developing AI is important, but it should not be pursued at all costs. (Paragraph 34)
6. *The Intellectual Property Office should pause its proposed changes to the text and data mining regime immediately. It should conduct and publish an impact assessment on the implications for the creative industries. If this assessment finds negative effects on businesses in the creative industries, it should pursue alternative approaches, such as those employed by the European Union. The Intellectual Property Office should write to us confirming its plans and timelines in response to this report.* (Paragraph 35)
7. New technologies are making it easier and cheaper to reproduce and distribute creative works and image likenesses. Timely Government action is needed to prevent such disruption resulting in avoidable harm, or production moving to countries with better regulation. (Paragraph 42)
8. *The Government should ratify the Beijing treaty on audio-visual performances at the earliest opportunity. It should set out its timelines for doing so in response to this report.* (Paragraph 42)
9. The UK's intellectual property framework is respected across the world. These protections underpin the success of the UK's creative industry exports. The Government must not water them down when striking new trade deals. (Paragraph 47)
10. *The Department for International Trade should commit to maintaining the UK's existing standards of intellectual property rights in all future trade deals.* (Paragraph 47)
11. Like other sectors, the creative industries are exposed to the opportunities and threats of automation and job replacement. Workers on lower incomes and insecure contracts are particularly vulnerable. (Paragraph 54)

12. *The Government's Sector Vision must set out a clear plan for ensuring that its encouragement of technological change is accompanied by complementary plans to help the creative industries sustain quality jobs and promote a diverse workforce. (Paragraph 54)*

Improving the business environment

13. We fail to understand UK Research and Investment's rationale for not allocating funding to continue the Creative Industries Clusters Programme, and choosing to prioritise other projects—particularly before the final impact evaluation has been completed. Current assessments show the programme has far exceeded expectations in promoting innovation, attracting co-investment and delivering SME growth. (Paragraph 66)
14. *UKRI should review its funding allocations and identify options for continuing the most successful clusters within the Creative Industries Clusters Programme after March 2023. UKRI should publish its plans and decision timelines in response to this report. (Paragraph 67)*
15. *The Arts and Humanities Research Council and participating universities should work with regions which are not part of the Creative Industries Clusters Programme to share best practice and create links between clusters. (Paragraph 68)*
16. The Government's definition of R&D for tax relief is narrow and restrictive compared with that in other OECD countries. This risks holding back innovation in the UK's creative industries. (Paragraph 76)
17. *The Government should change the definition of R&D for the purpose of tax relief to include more of the creative sector. It should conduct and publish a substantial review setting out the risks, costs, and benefits of adopting such an approach. It should start by exploring the OECD definition of R&D tax relief. The Government should provide timelines for this review in response to this report. (Paragraph 76)*
18. Tax reliefs have played an important role in supporting innovation, growth and international competitiveness in the creative industries. We welcome the Government's commitment to continuing such support. But other countries are increasingly adopting similarly competitive tax relief systems. The UK is falling behind. (Paragraph 80)
19. *The Government's consultation on creative industry tax reliefs must benchmark UK incentives against those in other countries to ensure the UK remains competitive. (Paragraph 80)*
20. Access to finance remains a problem for SMEs in the creative industries. A lack of data, investor wariness and overlong processes present barriers to progress. It is not surprising that businesses turn to overseas investors, sell up or move abroad. (Paragraph 90)
21. *The Government should work with the Creative Industries Council to explore international lessons for improving access to finance. It should set out its plans to address access to finance problems in the forthcoming Sector Vision. (Paragraph 91)*
22. There is a welcome range of schemes providing business support and guidance. But they remain disjointed and hard to navigate, particularly for small organisations. The Government's recent Create Growth Programme to support SMEs is welcome but limited in scale. (Paragraph 96)

23. *The Government should monitor the impact of the Create Growth Programme, identify its most effective interventions and help local authorities share key learnings across the country. (Paragraph 96)*
24. *The Government should work with local authorities to help consolidate guidance for creative sector businesses into easily accessible support hubs. Local enterprise partnerships provide a good vehicle for delivering this work. (Paragraph 97)*
25. Lack of access to affordable premises inhibits the growth of creative SMEs. Better co-location programmes could reduce overheads and encourage profitable exchanges of ideas and people. (Paragraph 100)
26. *The Creative Industries Council should work with the Department for Levelling Up, Housing and Communities to evaluate options for improving long-term access to affordable workspaces for creative businesses, such as building on the Creative Land Trust programme. (Paragraph 100)*
27. The UK is rightly regarded as an international leader in the arts. Technological innovation and talent exchanges between public and private organisations will be key to the sector's future success. We welcome Arts Council England's existing support for improving innovation and digital competence in organisations. (Paragraph 105)
28. *We recommend Arts Council England works with the Government to incentivise further collaboration between the commercial and non-profit sector to support innovation. This could include Government-backed incentives for SMEs to collaborate with arts organisations, for example. We also recommend that Arts Council England plays an enhanced role in providing coordination among organisations receiving public funding, to support cost sharing on expensive projects and ensure the widest possible reuse of new initiatives. (Paragraph 106)*

Skills

29. Skills shortages present a major challenge to the creative industries. But detailed data on these shortages are limited and fragmented. This makes it difficult to forecast future requirements and develop evidence-based policy interventions that target priority areas. We welcome the launch of the Unit for Future Skills, but there is an urgent need for progress in its work. (Paragraph 116)
30. *The Government should set out its plans for improving the collection and use of skills data (including on freelancers) in the creative industries to inform and drive change in skills policy. (Paragraph 116)*
31. Careers guidance at school on the creative sector is vital. But its current provision is not good enough. Delivery is patchy and disjointed. Information about careers in the creative sector is too often out of date. The Careers & Enterprise Company does important work but is insufficiently well known. We were pleased that ministers recognised the need for improvements. (Paragraph 125)
32. *The Government should work with education leaders and industry bodies to promote the work of the Careers & Enterprise Company. Programmes providing guidance on routes into the creative sector need to be expanded. (Paragraph 125)*
33. The Gatsby Benchmarks provide a good opportunity for influencing the provision of careers guidance (Paragraph 126)

34. *The Benchmarks' guidance should be revised to include references to careers in the creative industries. (Paragraph 126)*
35. *We endorse the recommendation of the House of Lords Youth Unemployment Committee that careers guidance be made a compulsory element of the primary and secondary curriculum. (Paragraph 127)*
36. Employers are increasingly calling for a blend of creative and digital skills. This interdisciplinary approach needs to be encouraged at school. Yet there are too few incentives for students to study a combination of creative and STEM subjects. The Government has been clear it has no plans to expand the EBacc. While this is a matter of regret, we have heard that improvements can be made without wholesale reform to the education system. (Paragraph 136)
37. *The Department for Education must tackle the decline in take up of school subjects relevant to the creative industries—particularly Design and Technology. It should start by urgently promoting the value of creative subjects and highlighting the rewarding career opportunities they can offer. It should also review other options, such as including a greater focus on creative education in Ofsted's inspection regime. The Department should provide an initial update on its plans in response to this report and a further update by the end of June 2023. (Paragraph 137)*
38. Post-16 education plays a critical role in developing skills for the creative industries. But training pathways are confusing for students and employers. Clearer routes into the industry are needed. (Paragraph 142)
39. T Levels provide a key vocational route into creative occupations. But some adjustments may be needed to ensure they deliver on their objectives. The requirements for workplace placements are hard for many creative sector businesses to provide. And business skills must feature more prominently in the content of courses aimed at the creative industries, given the high proportion of freelancers in the sector. Closer collaboration between the Department for Education and the Department for Digital, Culture, Media and Sport will be key to making these changes a success. (Paragraph 147)
40. *The Department for Education must work closely with the Department for Digital, Culture, Media and Sport in keeping under review the content and structure of T Level courses relating to the creative industries. (Paragraph 148)*
41. The apprenticeship scheme remains poorly suited to a large proportion of creative businesses, who are unable to provide the required length of training placements due to the short-term, project-based nature of much work in the sector. We welcome the recent launch of the pilot of flexi-job apprenticeships. (Paragraph 152)
42. *We recommend the flexi-job apprenticeships pilot is promoted more widely. (Paragraph 152)*
43. The Department for Education's sweeping rhetoric about 'low value courses' is unhelpful. We agree that universities should provide good value for money. But the Department must also acknowledge that many of those going into the creative industries will work flexibly, in freelance roles, and take time to generate higher salaries. That does not mean their studies and subsequent jobs are less worthwhile. (Paragraph 158)
44. *The Department for Education, in providing strategic direction to the Office for Students, should change its approach to 'low value courses' to take better account*

of the realities of work in the creative industries. This should take more detailed account of business lifecycles and freelance work. (Paragraph 158)

45. The new Lifetime Skills Guarantee and Lifelong Loan Entitlement are welcome. (Paragraph 163)
46. *Courses available as part of the Lifetime Skills Guarantee and Lifelong Loan Entitlement should be informed by labour market data on creative industry skills needs. (Paragraph 163)*
47. Engagement between employers and education policy is important, but too often fragmented or duplicative. The Government should be more active in providing co-ordination. (Paragraph 168)
48. *The Creative Industries Council should have engagement from the Department for Education to support coordination between creative business needs and skills policy. (Paragraph 168)*

APPENDIX 1: LIST OF MEMBERS AND DECLARATIONS OF INTEREST

Members

Baroness Bull
 Baroness Buscombe (to 20 October 2022)
 Baroness Featherstone
 Lord Foster of Bath
 Lord Griffiths of Burry Port
 Lord Hall of Birkenhead
 Baroness Harding of Winscombe
 Lord Lipsey
 Lord Parkinson of Whitley Bay (from 20 October 2022 to 25 October 2022)
 Baroness Rebuck
 Baroness Stowell of Beeston (Chair)
 Lord Vaizey of Didcot
 The Lord Bishop of Worcester
 Lord Young of Norwood Green

Declarations of interest

Baroness Bull
Director, No Bull Productions Limited (media and broadcasting; arts consultancy)
Director, The Rudolf Nureyev Foundation (grant giving organisation)
Chair, Expert Advisory Panel for the Cultural Education Plan
Chair of the panel of judges, The Award for Civic Arts Organisations 2023
Board Member, Fondation En Faveur De L'art Choregraphique, Lausanne, Switzerland

Baroness Buscombe
Daughter is an actor

Baroness Featherstone
Designer

Lord Foster of Bath
No relevant interests declared

Lord Griffiths of Burry Port
Patron, British Black Classical Foundation
Patron, small museum in North East England
Volunteer, Premier Christian Radio
Writer and Broadcaster, BBC Religious Department

Lord Hall of Birkenhead
Chairman, Frontline
Trustee, National Trust
Trustee, Paul Hamlyn Foundation
Trustee, Oxford Philharmonic Orchestra
Vice-Chairman, London Philharmonic Orchestra
Chairman, Harder Than You Think Ltd
Advisory Board Member, Qwilt

Baroness Harding of Winscombe

Director (unpaid), Jockey Club, which puts on substantial music events on their racecourses

Lord Lipsey

Chair, Premier Greyhound Racing

Lord Parkinson of Whitley Bay

No relevant interests declared

Baroness Rebuck

Non-executive Director, Penguin Random House UK (book publishing)

Member, General Management Committee, Bertelsmann (international media corporation)

Non-executive Director, Guardian Media Group (publishing)

Chair, Bertelsmann's UK Content Alliance

Daughter is Georgia Gould who leads Camden Council and chairs London Councils

Chair of the Board, Somerset House Trust

Baroness Stowell of Beeston (Chair)

No relevant interests declared

Lord Vaizey of Didcot

Trustee, Tate

Member, Advisory Board, Edge Investment (venture capital)

Adviser, Scale Up Capital (scale-up investors)

Adviser, Authors Licensing and Collecting Society; member attends four meetings per year to advise on strategy

The Lord Bishop of Worcester

No relevant interests declared

Lord Young of Norwood Green

No relevant interests declared

A full list of Members' interests can be found in the Register of Lords' Interests: <https://members.parliament.uk/members/lords/interests/register-of-lords-interests>

APPENDIX 2: LIST OF WITNESSES

Evidence is published online at <https://committees.parliament.uk/work/6881/a-creative-future/publications/> and available for inspection at the Parliamentary Archives (020 7219 3074).

Evidence received by the Committee is listed below in chronological order of oral evidence session and in alphabetical order. Those witnesses marked with ** gave both oral evidence and written evidence. Those marked with * gave oral evidence and did not submit any written evidence. All other witnesses submitted written evidence only.

Oral evidence in chronological order

- | | | |
|----|---|---------------------------------|
| * | Caroline Norbury OBE, Chief Executive Officer, Creative UK | <u>QQ 1–12</u> |
| * | Annette Mees: Artistic Director, Audience Labs, and Visiting Senior Research Fellow, Culture and Creative Industries, King’s College London | |
| ** | Tonya Nelson, London Area Director, Arts Council England | |
| * | Ed Shedd: Partner, Technology, Media and Telecommunications, Deloitte | |
| ** | Paul Fleming, General Secretary, Equity | <u>QQ 13–17</u> |
| ** | Dan Conway, Chief Executive Officer, Publishers Association | |
| * | Dr Andres Guadamuz, Reader in Intellectual Property Law, University of Sussex | |
| * | Aidan Meller, Director, Ai-Da ROBOT | <u>QQ 18–29</u> |
| * | Ai-Da | |
| * | Dr Jo Twist OBE, Chief Executive Officer, UK Interactive Entertainment (Ukie) | <u>QQ 30–39</u> |
| * | Catherine Allen, Co-founder and Chief Executive Officer, Limina Immersive | |
| * | Verity McIntosh, Senior Lecturer in Extended and Virtual Realities at University of the West of England (UWE) Bristol | |
| * | Chance Coughenour, Head of Preservation, Google Arts & Culture | <u>QQ 40–45</u> |
| ** | Rishi Coupland, Head of Research and Insight, British Film Institute | |
| * | Professor Melissa Terras, Professor of Digital Cultural Heritage, University of Edinburgh | |
| * | Professor Giorgio Fazio, Professor of Macroeconomics, University of Newcastle | <u>QQ 46–55</u> |
| * | Robert Husband, Partner, Moore Kingston Smith | |

- * Dr Nicola Searle, Digital Economy Fellow and Senior Lecturer, Institute for Cultural and Creative Entrepreneurship, Goldsmiths, University of London
- * Chris Michaels, Director of Digital, Communications and Technology, National Gallery [QQ 56–60](#)
- * Adam Dickinson, founding partner and Development Director, Rezzil
- * Tom Box, Managing Director and Co-Founder, Blue Zoo Animation
- ** Lesley Giles, Director, Work Advance [QQ 61–72](#)
- * Professor Steven Spier, Vice-Chancellor, Kingston University
- * Dr Lisa Morrison Coulthard, Research Director, National Foundation for Educational Research
- * Dr Molly Morgan Jones, Director of Policy, British Academy [QQ 73–80](#)
- * Robert West, Head of Education and Skills, Confederation of British Industry (CBI)
- ** Seetha Kumar, Chief Executive Officer, ScreenSkills
- ** Dinah Caine CBE, Chair, Camden STEAM Commission [QQ 81–89](#)
- * Eliza Easton, Deputy Director Policy and Evidence Centre, Nesta
- * Olly Newton, Executive Director, Edge Foundation
- ** Dr Paul Thompson, Chair - Specialists Institutions' Forum, Universities UK and Vice-Chancellor, Royal College of Art [QQ 90–102](#)
- ** Corrienne Peasgood OBE, President, Association of Colleges
- ** Alun Francis OBE, Principal and Chief Executive Officer, Oldham College
- * Simon Field, Director, Skills Policy
- ** Professor James Bennett, Director, StoryFutures [QQ 103–110](#)
- * Councillor Phil Seeva, Culture, Tourism and Sport Board, Local Government Association
- * Paul Owens, Co-founder and Director, BOP Consulting
- * Carolyn Warren, Director-General of Arts Granting Programs, Canada Council for the Arts [Q 111–118](#)
- * Professor Hye-Kyung Lee, Professor of Cultural Policy, King's College London
- ** Dr Martin Smith, Managing Director, West Bridge Consulting

- ** Dr Darren Henley OBE, Chief Executive Officer, Arts Council England [Q 119–130](#)
- ** Professor Christopher Smith, Executive Chair, Arts and Humanities Research Council, UK Research and Innovation
- * Sir Peter Bazalgette, Industry Co-Chair, Creative Industries Council
- * Rt Hon Robert Halfon MP, Minister of State (Minister for Skills, Apprenticeships and Higher Education), HM Government - Department for Education [Q 131–142](#)
- ** Julia Lopez MP, Minister of State for Media, Data, and Digital Infrastructure, HM Government - Department for Digital, Culture, Media and Sport
- * Kevin Hollinrake MP, Parliamentary Under Secretary of State, HM Government - Department for Business, Energy and Industrial Strategy

Alphabetical list of all witnesses

- a-n The Artists Information Company [CRF0050](#)
- Advertising Association [CRF0013](#)
- Adobe [CRF0055](#)
- * Ai-Da ([QQ 18–29](#))
- ** Arts Council England ([QQ 1–12](#), [Q 119–130](#)) [CRF0043](#)
- Arts University Plymouth [CRF0028](#)
- Arup [CRF0047](#)
- The Association for Lighting and Production Design [CRF0048](#)
- AudioUK [CRF0075](#)
- ** Corrienne Peasgood OBE, President, Association of Colleges ([QQ 90–102](#)) [CRF0074](#)
- Association of Illustrators [CRF0039](#)
- Association of Photographers [CRF0052](#)
- Mx Lorenzo Belenguer [CRF0002](#)
- Dr Emine Beyza Satoglu [CRF0018](#)
- * Blue Zoo Animation ([QQ 56–60](#))
- * BOP Consulting ([QQ 103–110](#))
- * British Academy ([QQ 73–80](#))
- British Entertainment Industry Radio Group [CRF0017](#)
- ** British Film Institute ([QQ 40–45](#)) [CRF0051](#)
- British Screen Forum [CRF0060](#)
- ** Camden STEAM Commission ([QQ 81–89](#)) [CRF0063](#)
[CRF0067](#)

*	Canada Council for the Arts (Q 111–118)	
*	CBI (QQ 73–80)	
	Professor Jean Chalaby	CRF0006
	Professor Andrew Chitty	CRF0064
	Contemporary Visual Arts Network (CVAN) England	CRF0034
	Crafts Council	CRF0005
*	Creative Industries Council (Q 119–130)	
	Creative Industries Policy and Evidence Centre, led by Nesta	CRF0024
	Creative Informatics and the Edinburgh Futures Institute (University of Edinburgh)	CRF0035
*	Creative UK (Q 1–12)	
	Creators’ Rights Alliance	CRF0014
	DACS	CRF0042 CRF0068
	Design Council	CRF0072
	Adam Dickinson	CRF0065
	Professor Jun Du (joint submission)	CRF0018
*	Edge Foundation (QQ 81–89)	
**	Equity (QQ 13–17)	CRF0010
	Joanne Evans (joint submission)	CRF0011
*	Professor Giorgio Fazio (QQ 46–55)	
**	Alun Francis OBE, Principal and Chief Executive Officer, Oldham College (QQ 90–102)	CRF0070
	Professor Gabriella Giannachi (joint submission)	CRF0011
*	Google Arts & Culture (QQ 40–45)	
	Greater London Authority	CRF0020
*	Dr Andres Guadamuz (QQ 13–17)	
	Professor Tracy Harwood	CRF0001
*	HM Government—Department for Business, Energy and Industrial Strategy (QQ 131–142)	
**	HM Government—Department for Digital, Culture, Media and Sport (QQ 131–142)	CRF0058 CRF0073
*	HM Government—Department for Education (QQ 131–142)	
	John Howkins	CRF0062
*	Robert Husband (QQ 46–55)	
	Incorporated Society of Musicians	CRF0012

	Institute for Creative and Cultural Entrepreneurship, Goldsmiths, University of London	CRF0016
	The Ivors Academy of Music Creators	CRF0038
	Dr Pietari Kaapa	CRF0009
*	Professor Hye-Kyung Lee (Q 111–118)	
	Dr Dominic Lees	CRF0008
	Professor Feng Li	CRF0019
*	Limina Immersive (QQ 30–39)	
*	Local Government Association (QQ 103–110)	
	Dr Lucy McFadzean (joint submission)	CRF0011
*	Verity McIntosh (QQ 30–39)	
*	Annette Mees (QQ 1–12)	CRF0071
*	Aidan Meller (QQ 18–29)	
	Minderoo Centre for Technology and Democracy, University of Cambridge	CRF0007 CRF0026
	Motion Picture Association	CRF0057
	Music Venue Trust	CRF0021
	National Council for the Training of Journalists	CRF0053
*	National Foundation for Educational Research (QQ 61–72)	
*	National Gallery (QQ 56–60)	
	National Museum Directors' Council	CRF0040
	The National Theatre	CRF0033
*	Nesta (QQ 81–89)	
	News Media Association	CRF0015
	Simon Oldfield	CRF0046
	Pact	CRF0029
	Patreon Inc	CRF0022
	PRS for Music	CRF0054
**	Publishers Association (QQ 13–17)	CRF0045
	Publishers' Licensing Services	CRF0030
*	Rezzil (QQ 56–60)	
**	Royal College of Art (QQ 90–102)	CRF0041
**	ScreenSkills (QQ 73–80)	CRF0004 CRF0059
*	Dr Nicola Searle (QQ 46–55)	
*	Ed Shedd (QQ 1–12)	
*	Skills Policy (QQ 90–102)	

**	Dr Martin Smith (Q 111–118)	CRF0003
		CRF0061
		CRF0069
	The Society of Authors	CRF0031
*	Professor Steven Spier (QQ 61–72)	
**	StoryFutures (QQ 103–110)	CRF0036
	Teledwyr Annibynnol Cymru (TAC)	CRF0049
*	Professor Melissa Terras (QQ 40–45)	
	University of Arts London	CRF0044
	UK Interactive Entertainment	CRF0025
	UK Music	CRF0037
**	UK Research & Innovation	CRF0056
*	Ukie (QQ 30–39)	
	Universities UK (QQ 90–102)	
	White Light Ltd	CRF0032
**	Work Advance (QQ 61–72)	CRF0066
	Writers' Guild of Great Britain	CRF0027
	XR Stories and Screen Industries Growth Network, University of York	CRF0023

APPENDIX 3: CALL FOR EVIDENCE

A creative future

The Communications and Digital Committee is launching an inquiry into the future of the UK's creative industries. The Committee invites written contributions by Friday 2 September 2022. The Committee expects to hold oral evidence sessions from early September.

Background

There are major changes on the horizon for the UK's creative industries. These are shaped by a range of national and global trends. This inquiry will examine some of the most significant changes expected over the next 5-10 years arising from the effects of new technologies, and explore what is needed from the skills and talent pipeline to ensure the UK's creative industries can thrive in this fast-changing world. It will also consider the role of innovation and organisational adaptation.

Technological development is just one of many forces driving change in the sector, but its impacts are likely to be particularly significant. Creative content production is likely to be affected by new technologies such as machine learning and artificial intelligence, which could supplement, enhance or in some cases replace human creative work. Rapid advances have already taken place in some areas, from the creation of art and music through to narration and voiceovers.

Audience engagement is another area that is becoming more digitalised. Developments in immersive experiences such as augmented or virtual reality look set to offer new ways of creating and delivering cultural content, from performances to painting. Organisations are increasingly turning to digital services to attract and retain audiences and customers.

Some business models may change significantly. The impact of streaming on the music and screen industries is already well known, even if its long-term effects are not fully understood. New forms of creating, distributing and paying for creative content and services may affect business models across the sector.

As these trends develop there will be positives and negatives, opportunities and risks. They are likely to affect large institutions, small and medium sized organisations, as well as the freelancers that constitute a major part of the creative industries workforce. They will put further pressure on the need for a system that delivers the right skillsets and talent pipeline for the jobs of the future.

Before the pandemic, the UK's creative industries were growing more than five times faster³¹³ than the national economy, generating £111.7 billion for the UK in 2018. Provisional data³¹⁴ indicate a positive trend in their economic contribution in 2021, bouncing back from the setbacks during the first year of the pandemic. As the creative industries face new challenges over the next 5–10 years, policymakers and industry will need to ensure the right education, innovation and organisational adaptation frameworks are in place to take advantage of the changes ahead.

313 Department for Digital, Culture, Media & Sport, 'UK's Creative Industries contributes almost £13 million to the UK economy every hour' (6 February 2020): <https://www.gov.uk/government/news/uks-creative-industries-contributes-almost-13-million-to-the-uk-economy-every-hour> [accessed 1 December 2022]

314 Creative Industries Council, 'Positive Trend In Economic Recovery Of UK Creative Industries From Pandemic' (4 May 2022): <https://www.thecreativeindustries.co.uk/facts-figures/positive-trend-in-gva-of-uk-creative-industries-from-pandemic> [accessed 1 December 2022]

Inquiry questions

1. Which areas of the creative industries face the greatest potential for disruption and change in the next 5–10 years, and what impact could this have? a) What changes are expected in the way creative/cultural content is produced; the way audiences are engaged (for example through digital or immersive experiences); and the way business models operate?
2. What skills will be required to meet these emerging opportunities and challenges?
3. What actions are needed from the Government and local authorities to ensure there is an appropriate talent pipeline equipped with these skills? a) How can this be sufficiently flexible to take account of the pace of change in the sector?
4. What actions are needed from industry to support the talent pipeline development? a) What actions are needed from organisations in the creative industries to prepare for and accommodate the requirements of the future workforce?
5. What role do innovation and research & development play in addressing the future challenges facing the creative industries? a) What actions are needed from the Government, funding bodies and sector organisations to support innovation, and research & development?
6. How effective are the Government’s existing strategies at supporting the creative industries to meet the challenges and opportunities ahead?
7. What lessons can the UK’s creative industries learn from other countries, and other sectors?

Further notes

There are many ways of categorising and defining the creative sector. The Government refers to the ‘creative industries’, which it has defined³¹⁵ as “those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property”. UNESCO has referred to the ‘creative and cultural industries’, which it has defined³¹⁶ as activities “whose principal purpose is production or reproduction, promotion, distribution or commercialisation of goods, services and activities of a cultural, artistic or heritage-related nature”. Our inquiry will focus principally on a sub-set of areas including:

1. Music, performing and visual arts
2. Museums and galleries
3. Publishing
4. Gaming, film, TV, video, photography

315 Department for Culture Media and Sport, *Creative Industries Economic Estimates* (January 2016), p 3: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/523024/Creative_Industries_Economic_Estimates_January_2016_Updated_201605.pdf [accessed 11 January 2023]

316 EY, *Cultural times* (December 2015): https://en.unesco.org/creativity/sites/creativity/files/cultural_times_the_first_global_map_of_cultural_and_creative_industries.pdf [accessed 11 January 2023]

5. (Digital and design services which provide a core input across the areas above)

The committee encourages interested parties to follow the progress of the inquiry on Twitter @LordsCommsCom and at: <https://committees.parliament.uk/work/6881/a-creative-future/>

APPENDIX 4: NOTE OF VISIT TO STORYFUTURES

Visit to StoryFutures

This Committee undertook a visit to StoryFutures, one of the clusters in the Creative Industries Clusters programme, to inform this report.

On 14 November the Committee visited StoryFutures, which is based at Royal Holloway, University of London. In attendance were Baroness Stowell, Baroness Rebuck, Baroness Bull, Lord Young, and Lord Lipsey.

The purpose was to engage with one of the Clusters to understand better its work and impact, and to explore key issues of the inquiry including the impact of new technologies, opportunities and challenges for SMEs, research and development, and skills.

The Committee received briefings and demonstrations from academics and industry practitioners who were part of the Clusters programme. This included demonstrations of the StoryTrails experience, the virtual reality film Laika, the augmented reality experience The Keeper of Paintings and Valkyrie haptic technologies. The Committee also heard from students at the university.

The visit involved a presentation by Professor Andrew Chitty, Challenge Director for the Creative Industries Clusters Programme, and a plenary question and answer session.

The Committee heard that the programme's value lay in convening universities and businesses to collaborate on research and development, skills training, business guidance and support in bringing ideas to market. Businesses stated that having the support of universities provided a degree of reassurance to investors that made them a stronger proposition for investment. Academics noted that the Clusters programme created new incentives for applied research relevant to commercial applications that did not otherwise exist. With regard to overall evaluation of the Creative Industries Clusters Programme, the Committee heard that the level of private co-investment had significantly exceeded the programme's original targets.

APPENDIX 5: GLOSSARY OF KEY TERMS

AHRC	The Arts and Humanities Research Council
AI	Artificial intelligence
CreaTech	The intersection of the creative and technology sectors
CPTPP	The Comprehensive and Progressive Agreement for Trans-Pacific Partnership
EBacc	The English Baccalaureate
IP	Intellectual Property
IPO	The Intellectual Property Office
ISCF	The Industrial Strategy Challenge Fund
LLE	Lifelong Loan Entitlement
R&D	Research and development
SMEs	Small and medium enterprises
STEAM	Science, Technology, Engineering, Arts and Maths
UKRI	UK Research and Innovation
VR	Virtual reality
XR	Extended reality