

Subject:	The Creative Industries of Greater Brighton		
Date of Meeting:	16th July 2019		
Report of:	Chief Executive, Adur & Worthing Councils (and co-chair "Creative Coast")		
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LA(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 This scene setting report for GBEB reflects upon the importance of the Creative Industry sector for our economy nationally and locally. It reintroduces to the Board definitions, size and importance, national and regional policy, what we currently know about Greater Brighton's Creative Industries ("CI") and references two pieces of commissioned work to help us gain a greater understanding and determine significant strategic plays required to support our Creative Industries across the City Region.
- 1.2 The recommendation for funding for the work is included with other funding requests in the Five Year Strategic Plan paper, elsewhere on this agenda.

2. RECOMMENDATIONS:

That the Board:-

- 2.1 Note the importance of CI and the approaches to date as set out in the report.
- 2.2 Request a further report back once the two pieces of research data are complete and once the "Creative Coast" cluster has done further work on required strategic interventions.
- 2.3 Encourage all relevant partner and funder organisations to grasp the opportunity of CI for both our local and national economy and to recognise the importance of the sector in strategic planning, investment, funding, procurement and operations.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Much time can be spent debating what is "in" and what is "out" of scope in defining Creative Industries and in creating boundaries that don't necessarily exist in the sector. This is rapidly moving and shape shifting territory with sub-sectors such as "Createch" that didn't exist 5 years ago, rapidly gaining significant market share.

- 3.2 Whilst there are several definitions of the sector available the DCMS definition of Creative Industries is widely used, including:- *textual, music, television, video, radio, film production, photography, publishing, craft, design (product, graphic and fashion), publishing, museums, galleries, libraries, performing and visual arts (and for DCMS architecture) sport, advertising, marketing and cultural tourism, IT, software and computing services (including gaming)*. Generally “Cultural” industries are a sub-set of “Creative” Industries.
- 3.3 Digital technologies have spawned a raft of new (and rapidly developing) industries around content and distribution which are separate from (or become distribution channels for) the products of CI. Global distribution (and the new speed in which creative goods, services and capital flows) has created a rapid process of internationalisation in the sector ... and that is set to accelerate. In this paper “Creative Industries” covers the full panoply of creative and cultural industries (unless the context makes clear otherwise).
- 3.4 At one level “Greater Brighton” is an administrative artefact based upon Local Government geographies. However, with a major cultural city, a global airport and a population now above 800,000 Greater Brighton is a real player in the CI sector. This paper seeks to remake the case that with a wide variety of CI value, capacity, capability and development potential, focussed attention at the City Regional footprint can create significant additional benefits. And, where relevant the geographic boundaries shouldn’t be “hard” (e.g. the gaming centre in and around Horsham).

4. THE SIZE AND IMPORTANCE OF CREATIVE INDUSTRIES FOR THE UK ECONOMY

- 4.1 The Department for Culture, Media and Sport (DCMS) estimate that Creative Industries now are above £100 Billion GVA to the UK economy and the fastest growing sector of any. The sector is now bigger in GVA terms than the UK’s automotive, life sciences and aeronautical industries combined. This is not just a few men in tights!
- 4.2 The sector is growing so rapidly due primarily to:-
- New digital and createch industries (27% of jobs in CI sector are based in these elements and both growing fast).
 - People’s desire to work in the CI sector (currently estimated at 2 million jobs in the UK with another 1 million anticipated by 2030). Critically 87% of these jobs are deemed to be resistant or highly resistant to automation.
 - The “experience economy” (books, games, songs, film, design, architecture, etc. etc. ... consumer taste trends suggest that the CI sector is high growth, relatively future proofed and highly mobile).
 - These “new industries” have a significant impact on places (in Bristol and Bath for example 10% of all businesses and over 20,000 jobs are now in CI).
- 4.3 For the element of the sector defined as “Cultural Industries” the 2017 GVA was estimated at £11 billion (with a statistical under investment by the State in this sector relevant to other sectors of the economy of similar size).

5. WHY DOES THE CREATIVE INDUSTRY SECTOR NEED STATE INTERVENTION IF IT'S SUCH A HEALTHY AND GROWING MARKET?

5.1 This is a complex question to answer, however:-

5.1.1 Growth in the sector is driven by the rise and fall of a number of “small” SMEs and micro start-ups (the average size of a CI company is currently 3.3 employees).

5.1.2 Competition is intense for content and ideas development (“the recurring avant garde”)

5.1.3 Much of commerciality is driven by trade on IP and intangible assets (therefore financing can be problematic and monetisable ideas can be vulnerable to hijack).

5.1.4 Brexit (likely impact on talent, funding and cross border collaborations).

5.1.5 HMG is just “too big” to be able to intervene consistently well. It therefore needs to ensure actors at the local level are making the right things happen. (That can be Creative England, local CI partnerships and leadership, LEPs, ACE etc.)

5.1.6 The small size of CI industry players isn't “the problem in itself”, however it makes them and the sector invisible to policy makers (cf. Automotive or Steel sectors). The critical role of policy makers is to see the benefits and help the CI sector move from collaboration around intellectual ideas to commercialisation and monetization of products.

5.1.7 It's not just about numbers of jobs, but it's about developing UK (and our local) entrepreneurialism. Currently the UK is number 3 in the world for start-ups but only number 13 for those companies getting to scale. This is a real issue for CI's generally (and it's not just down to what is often described as “life style” issues).

5.1.8 Unsurprisingly London is a global economic Creative Industries powerhouse and needs to continue to hold this position post Brexit. Regions such as Greater Brighton should not be seeking to reduce the powerhouse, but work with and grow a high value eco-system into it.

5.1.9 GVA per worker is 20% higher than in most other industries. Not all CI firms and jobs are high growth ... but most can be high value if they're properly matched to investment and support at the right time to get to international markets. The British Investment Bank struggles to get significant percentage of capital into CIs, largely because they are small, perceived sometimes as high risk (though high return) and because transaction costs can be high relative to capital investment values.

5.1.10 It is perhaps obvious, but worth stating, that much CI product is “low friction” when it comes to international trade. Digital content doesn't need to sit at Calais for a week, it can be with a consumer in seconds.

5.1.11 The Fourth Industrial Revolution: AI/machine learning will create new jobs and it will eat others. Whilst job reduction is likely to be highest in administration,

manufacturing and retailing, the three sectors that are regarded as the most immune to attack are the Creative Industries, personal and social care and environmental tech. This is an important point for Greater Brighton.

5.1.12 In policy terms at a national level alienation of communities in a post-industrial economy is leading to fraction, breakdown of social cohesion and at times loss of identity (what do communities “do” when the ship yard, the mine or the glass factories close down?) Policy at a national level has identified that culture and creativity can help replace the lost sense of identity as well as creating economic growth.

5.1.13 And, whilst the UK has an admirable global reputation for the Creative Industries, the rest of the world is catching up fast. The UK has talent (and some technical capacities) that are highly regarded ... but global investment by other governments into CI dwarfs the investment made by the UK. Whilst the Government’s Industrial Strategy suggests £4 billion of investment in the UK economy (every pound of which is welcome), only around 2% of this is identified as likely to be for the Creative Industries (the UK’s fastest growth sector). And, this £4 billion is utterly dwarfed by £100 billion going into the 3 capital investments at Hinkley Point, HS2 and Heathrow runway expansion (all important stuff but investment in the “old economy”).

6. RECENT UK NATIONAL AND REGIONAL POLICY FOR THE CREATIVE INDUSTRIES

6.1 Long serving members of the Greater Brighton Economic Board will probably be familiar with a variety of policy interventions at the National level.

6.2 “Clusters”: (specialisms and place coming together) there are many examples where National Government policy has created real value (e.g. Belfast and Screen tech). Whilst remaining a valid approach, the digital revolution means that collaboration can take place across the world in real time and doesn’t always need cheek by jowl geographic location. Virtual clusters are now much more common amongst creative eco-systems.

6.3 The Sir Peter Bazalgette 2017 Review of Creative Industries : flagged a number of issues (including relationship between a strong cultural environment and the growth of Creative Clusters). Strong local culture provides skills, talent and unique content for CI and can be easily linked into the visitor and night time economy experience. It references access to finance, intellectual property, trade and creative clusters, talent development and careers programmes spanning secondary schools. On the back of the review the £18 million Creative Industries Clusters programme was launched.

6.4 Sector deals: (March 2018) with £150 million of investment across the life cycle of the Creative Industries sector deals were focussed on leading Creative Clusters, global competition, tech and content of the future and skills programmes focussed on talent and inclusivity. They signal links into the Local Industrial Strategies and a review what is needed to grow to scale SMEs and the “long tail” of lower productivity firms.

6.5 Cultural Cities Inquiry (The Gadhia Report 2019). Gadhia points to the need for strong local leadership, investment platforms, strong and defined talent pathways

and place based asset return approaches. Whilst definitions are used interchangeably in the Gadhia report, much of the data is on a more narrowly defined set of Cultural Industry (a stated above a sub set of the broader CI definition).

- 6.6 An ongoing rebalancing of the UK's creative economy. Members of the Board will be familiar with Channel 4's move to Leeds (and to a lesser extent Norwich and Bristol) various BBC arts schemes (e.g. BBC natural history team in Bristol which now generates 25% of the world's natural history on-line content). Creative England attempting to rebalance non-London CI growth and align local and national institutions at the local level, building economic resilience and finding new roles for public investment.
- 6.7 An increasing focus on financing the CI sector. Both NESTA and Creative England research demonstrates that whilst there are now more firms they are getting smaller. Critically they need finance to scale which the UK investment market is not currently providing. Research suggests that over 80% of creative businesses need money to scale (and funders that are informed, flexible and prepared to risk share at appropriate reward levels). However, the assets of these companies are often intangible and given the small size of the average firm their life cycles can be volatile. At the macro level, however, there's a considerable amount of private funding going in. Angel Investors (at early stages of growth) are significant across London and the South East. Private finance (generally going in later up the growth ladder) saw 2017 as the year of "megadeal" especially in media and content. CIs at a smaller scale however, can be missing out. Venture Capital funds typically invest in ten projects hoping for a significant return on one or two. The Creative Industries business model (with SMEs) is a different one ... businesses need to get both bigger (and crucially better) in order to compete.

A number of funders like Creative England are stretched. CE currently have a portfolio of £20 million invested across 350 businesses, with a 4 to 1 return on public money. Investors need to be fast on their feet in a rapidly moving sector ... but that doesn't automatically equate with "fast and loose" with public money. Many SMEs are seeking genuinely sustainable growth. They don't seek the classic tech sector "5 year exit strategy", but they are in it for a longer haul ... and this can confuse Venture Capital investors and their models. At a regional level HMG has created a number of levers towards devolution and re-balancing of the economy out of London.

- 6.8 Encouragement of the university sector to engage with, provide investment, IP and talent into the CI is helpful. And the question should be asked what more encouragement is required to encourage universities to become more porous to Creative Industries in their places (opening of doors, talent pipelines, R&D and become real anchor institutions for CIs in place?).
- 6.9 Local Industrial Strategies/Local Sector Deals. If Creative Industries are such a key component of the future UK economy, how do they become more front and centre of any Local Industrial Strategy?
- 6.10 How do LEPs ensure that their attention and investment funds go into the infrastructure for this century's economy and not that of the last century? Hard investment and infrastructure for growth in the Creative Industry economy can have significant (and relatively quick) returns in GVA and jobs growth.

- 6.11 Arts Council England and their approaches are similarly seeking to push devolution in cultural economies. Their current strategy seeks to fund excellence, place based activity, inclusion and drive growth and talent pipelines. And, a number of national institutions are trying to do things “in place” (e.g. BBC “New Creatives Scheme” ... a Brighton footprint).

7. SO WHERE ARE WE IN GREATER BRIGHTON IN 2019?

- 7.1 As Members of the GBEB will be aware, there’s a lot here. Brighton and Hove is a NESTA designated “Creative District” with the highest density of “creative embedded” companies in its travel to work area of any UK cluster.

- 7.2 In short we have talent, successful Creative Industries, anchor institutions and reputation but, to some extent, we are resting on laurels and others are catching up. Board Members will probably recall the “The Brighton Fuse” (2011)” report. This work really set Brighton apart in its time but other places in the UK and elsewhere have moved at pace.

- 7.3 In general terms (like much of the UK’s CI economy) we have a preponderance of micro businesses (and whilst not all of these have a desire to grow) those that do have short term life cycles, struggle to access finance or key partners to develop propositions and at times a mixed set of capabilities to sell into international markets. At their best our Clusters work well, at other times many small players are competing for relatively small markets or pots of public funds. There is significant potential here for growth in GVA and jobs. In this paper we do not touch on the significant number of social benefits of the sector.

- 7.4 The critical point to make is that it is not easy to get current good evidence of the state of the Creative Industry sector in Greater Brighton. There are small pockets of data held by a number of organisations for particular purposes. See below for how we might go about building a better dashboard to continue to monitor the health of the sector. Whilst this won’t be about “managing “ a Creative Industry sector (which is frankly impossible and undesirable) it is about being able to articulate its value to support pitches (for private and public money) as well as creating a stronger public narrative.

- 7.5 At the risk over simplifying a set of highly complex factors, research, anecdote and consistency of themes raised, suggest there are probably 8 or 9 things that are currently preventing our Creative Industry eco-system being as powerful as it might be. Put succinctly they would be:-

- Insufficient affordable and flexible properties for the CI sector (certainly in central Brighton)
- Sufficient spaces, places and institutions to allow good collaborative linking up and the turning of those links into productive commercial ventures.
- Ever more porous universities
- Sufficient “creative producers”. By this it’s meant people who bring people together (SME’s, larger institutions, public sector investors, etc. etc.). Getting many small units of production better connected to grow productivity. They

used to be called “arts administrators”, but they’re probably now something of a mix of maven, commercial deal maker and social busybody!

- The problem of scaling. If the only model envisaged in each business is to grow as quickly as possible then this seldom creates a sustainable eco-system. Creative England talk about the “big guy, little guy” relationships. Greater Brighton probably doesn’t need to have 100 huge players but it might need half a dozen big players linked into anywhere between 100/1000 smaller ones.
- A bigger international reputation. With an international arts festival, a world renowned airport, a premiership football team and a games industry of real power, in some ways we have already significant CI brand recognition. However, this needs careful development, including with university partners.
- Our local public sector needs to adapt to meet the real needs of 21st century business. Creative Industries are growing at twice the rate of the rest of the UK economy. It’s a new economy, more agile and smarter and to some extent something of a “lab” for how our economy is likely to change in a variety of sectors into the future. Other sectors need to learn from it. National Government, Local Government and municipal/State funded organisations need to be part of this learning.
- Evidence of success. Determining rate of growth, GVA, jobs, growth etc. is not always easy. Often it is down to the hard work of individuals and certain organisations to tell the story. If our CI is so critical to our City Region is that acceptable or are we creating a significant risk for our future success?
- Inclusion is essential. Talent, if just drawn from one place or social class inevitably becomes condensed. Market attention and investment may not always get to the most talented. Greater Brighton need a concerted response to that. Talent, in terms of open borders and the education system is critical to Creative Industries. Creative England have a slogan “talent is everywhere, opportunity is not”.

8. THE ARTS AND CREATIVE INDUSTRIES COMMISSION (“ACIC”)

- 8.1 Brighton & Hove City Council (initially) created a Cultural Framework “Daring to be Different”. This suggests a number of lenses through which to look at Creative Industries. An impressively inclusive model is being worked through with a number of actions. Some of those are set in stone at the outset, others are to be developed (and co-produced) by stakeholders strengthening the ultimate outcomes.
- 8.2 One of the strands “Creative Coast” sets the challenge to “step up to lead as the regional capital of creative productivity and spill over innovation”. This is a significant ambition and one that requires concerted thought and activity to bring to fruition. This strand of the framework (despite the rather confusing reference to “Coast”) looks at the potential to grow the economic impacts of Creative Industries across the Greater Brighton footprint. The original document points to horizontal supply chains, possible creative enterprise zones, connections into sector deals, production/meanwhile space, SMEs support and ensuring the right

infrastructure is available for scaling and monetising. The precise elements of “what and how” are not set out in detail and are the subject of work over the next 6-9 months. It is in this context that a conversation with several key stakeholders (notably ACE and the LEP) has begun and their real interest is timely. Part of the product of this conversation was the (ultimately unsuccessful) bid to the Cultural Development Fund in order to create a “bank of creativity”. Whilst the bid was unsuccessful the idea is widely regarded as being worthy of further testing and development.

9. GETTING A BETTER UNDERSTANDING OF CI IN THE CITY REGION

- 9.1 As referenced earlier The Brighton Fuse Report of 2011 (compiled by both universities and the Arts and Humanities Research Council) was at its time a seminal piece of work. 8 years (particularly in a sector that grows as rapidly as the Creative Industries) is a long time and whilst it’s served us well, it is now looking dated.
- 9.2 The “Creative Coast” strand of the Arts & Creative Industries Commission has recently commissioned two discrete pieces of work from the University of Sussex (Dr Josh Siepel) who heads the University’s Creative Industries Policy and Evidence Centre.
- 9.3 The first piece of research work (and a relatively straight forward one) is to produce a brief document, drawing primarily on ONS data sets, containing basic descriptive statistics on the number, employment and turnover of Creative Industry firms at the level of all the Local Authorities making up the Greater Brighton area (as well as in aggregate). For each Local Authority (and the aggregate) the report will include:-
- The number of CI firms overall and in each CI sector (as defined by DCMS definitions)
 - The share of CI firms as part of the overall firm population, bench marked to the national average.
 - Total employment (jobs) of CI firms for each CI sector (along with mean/medium firm size)
 - CI employment as a share of overall employment (bench marked to the national average)
 - Total turnover generated by CI firms for each sector (along with mean size).
 - Contribution to overall turnover (bench marked to the national average).

It is anticipated that in addition to these figures it will be possible to do some basic dynamics (by comparing 2018 figures to similar data in 2015 or 2013). It will be interesting to see what valuable trends data emerges.

It is hoped that some of this data (if not the final report) will be available by the date of this GBEB meeting. If not the data can be rapidly shared thereafter.

9.4 The second piece of research work (and a more substantive one) is “FUSE+”. FUSE+ is a new initiative generating data on the positions, dynamics and evolution of Creative Industries (and specifically Creative Clusters). The University’s policy and Evidence Centre (PEC) will combine multiple data sources (including using AI to scrape data from thousands of Creative Industries web sites) to provide the UK’s most significant picture of the state of the Creative Industries sector (by the end of 2019). Those leading the “Creative Coast” work have specifically commissioned a Greater Brighton element to this. Along with a significant Creative Industry base in Scotland and another in the North East, the PEC will create a cluster level “portrait” for Greater Brighton, as well as a cluster directory and some real time estimates of economic performance of the cluster. It will also produce a number of data visualisations to help guide our future thinking as well as “deep dive” reports (where data allows) into issues of particular interest to us. Whilst this work is predominantly funded at national level partners across Greater Brighton have agreed to make a contribution of £13,200 (including VAT) to the costs of undertaking this work. It will provide a valuable data set to help shape future thinking.

10. SO WHAT ARE THE STRATEGIC INTERVENTIONS THAT THE GREATER BRIGHTON ECONOMIC BOARD SHOULD CONSIDER?

10.1 This is a work in progress and needs to be framed and shaped by the new data we will receive from the pieces of research work above. That being said a number of the national research products (including the 2019 Gadhia Report) as well as conversations at a Greater Brighton level are pointing to a long list at present including:-

- A free standing platform for the Creative Economy (based on ideas from the CDF bid). This new independent vehicle might act as a data repository, a marketer/narrative weaver/story teller, a bidding vehicle, a “bank of creativity”, an investor and broker, an advocate/lobbyist, a strategist and an actor/innovator in the CI sector. Of course, not all of this will necessarily be consistent or possible in one vehicle, but something standing independent of any one institution that can span sectors and fight the corner of Greater Brighton’s Creative Industry sector seems to appeal to many.
- Making sure that various strands of post-Brexit HMG policy can be woven together to support Creative Industries locally.
- Investment : (possibly a regional investment platform), one that could take stakes or provide supporting infrastructure for a number of CI players.
- Talent : Locally we have a number of interesting projects and programmes (and parts of our HE and FE sector are combining well to grow their own). What more can be done given the likely jobs growth in the sector and the potential talent in our communities?
- Upping the amount of new creative space (either using under-used, under-loved, under-valued buildings already in existence) or taking opportunities in new larger scale developments across the region to “build in” Creative Industry activity/space.

11. CONCLUSION

- 11.1 A short report of this nature can inevitably not do justice to the full complexity and opportunity in the Creative Industry Sector of Greater Brighton. It is at best, a timely reminder, a pointer to some things that are going on and a recognition that Greater Brighton has no “right” to retain its place as a home of CI. We have to work to do this and we have to encourage our relevant partners to support us in this task. The commissioned research referred to will enable a more strategic design of propositions for strategic interventions to help drive growth in the sector.

12. FINANCIAL & OTHER IMPLICATIONS

Financial Implications

- 12.1 There are no specific financial implications arising from this report over and above the commissioning of the research work outlined in paragraph 9.4 above

Finance Officer Consulted: Rob Allen, Principal Accountant
Date: 01/07/19

Legal Implications:

- 12.2 There are no specific legal implications arising from this report.

Lawyer Consulted: Joanne Dougnaglo *Date: 24/06/19*

SUPPORTING DOCUMENTATION

Appendices: None

Background Documents

1. The Sir Peter Bazalgette 2017 Review of Creative Industries
2. The Cultural Cities Enquiry (Enriching UK Cities through smart investment and culture) Dame Jayne-Anne Gadhia