Arts Council Response to Building our Industrial Strategy green paper
April 2017

About Arts Council England
Arts Council England is the national development agency for the arts, museums and libraries in England. Our work is directed by our 10-year strategy ‘Great Art and Culture for everyone’.

We invest public funds in arts and cultural experiences that enrich people’s lives, which contribute to our global reputation for world-class arts and culture, and enrich our strong creative industries. We support activities across arts, museums and libraries – from theatre to digital art, reading to dance, music to literature, and crafts to collections.

Between 2015 and 2018, we will invest £1.1 billion of public money from government and an estimated £700 million from the National Lottery. Every year until 2018 we’ll invest:

- £333 million in 663 arts organisations in our National Portfolio
- £70 million of Lottery funding in Grants for the Arts, our open-access funding programme
- £7.5 million in museums
- £34.7 million in our strategic funding programme, targeting particular opportunities or funding gaps to create arts and culture experiences for everyone, everywhere.

Introduction
We welcome that the Creative Industries are recognised as an area of strength within the UK economy and are encouraged by the opportunity for the sector to develop an ‘early deal’. Publically funded arts and culture are integral to the success of the creative industries.

A Report by the CEBR in 2015 demonstrated that arts and culture is responsible for an aggregate GVA impact of £15.8 billion, and is a sector with increasing employment rates (employment increased by 8 per cent from approximately 107,100 FTE jobs in 2009 to 108,800 FTE jobs in 2013). Public funding enables innovation such as the Creative R&D for West End transfers War Horse and Matilda.

In addition, arts and culture businesses are a key contributor to the UK’s successful tourist economy. The CEBR report estimated that total spending by visitors to the UK that was directly motivated by the arts and culture amounted to at least £856 million in 2011.

Arts and culture organisations also contribute economically through the culture-led regeneration of places and localities, increasing national productivity (across the
commercial creative sector and workforce as a whole) and by developing skills, nurturing innovation and fostering growth in the wider creative industries.¹

Below we respond to some of the issues set out through the pillars of the Green Paper. In summary, we emphasise:

• That **creative research and innovation** is an important driver for developing commercially valuable IP
• The role of arts and culture as a driver for **local economic growth and place-making**
• The need for those working in the creative industries and across the UK workforce to be able to access education and training which will **harness creative skills and enable creative talent to emerge and be developed**
• The importance of and reliance on **international talent, export and cultural exchange** for the arts and culture sector in England
• The **expertise, experience and investment that the Arts Council** can bring through collaborative partnership with arts and culture organisations, local partners, and central and local government to sustainably strengthen and grow England’s creative economy

**Pillar 1: Investing in science, research and innovation**

We welcome the Government’s increased prioritisation of research and innovation but note the focus on science and technology. **Creative R&D** underpins the creative industries, developing valuable content for consumption, and generating intellectual property (IP) which supports long term business growth.

The Arts Council strongly supports and encourages arts and culture organisations to research, innovate, and explore new ideas and their creative ambitions. We often do this by supporting new partnerships. For example, through the **Digital R&D Fund in partnership with Nesta and AHRC** we supported collaborations between arts and technology partners which support the use of new platforms to further ways of making, experiencing and consuming arts and culture.

We fund initiatives like **Catalyst Co-lab** at the University of Bedfordshire where artists partner with non-creative academic departments and a Luton based corporate, community or government organisation to research and develop ideas with a view to realising large-scale national and international projects. We also partner with HEIs like University of West of England where we have a **Memorandum of Understanding (MOU)** based on establishing Bristol as a jointly-led National Centre for Arts Technology, a shared commitment to developing the local creative economy.

Through funding streams such as **Ambition for Excellence** we support very ambitious artistic and cultural projects which drive the development of talent and skills in the sector and contribute to building improved cultural infrastructure in local places.

We support innovation and research because it is essential for us in developing and delivering ‘great’ art and culture for everyone. However, there is much unmet potential. We know from our Digital Arts and Culture Accelerator pilot with Nesta that more support is needed to help arts organisations (who are usually charities or CICs), to develop the entrepreneurial skills, structures and mind-sets needed to develop investable propositions and take them to market. **Support for pre-accelerator type programmes that are bespoke to the cultural as well as to the more overtly commercial creative industries could assist this.**

At a national level, enabling those with creative talent to develop their ideas is essential for furthering multiple industries. For example, in the development of Virtual Reality software and application. This is a multidisciplinary and complex business requiring collaboration between a range of creatives and technologists. The UK has potential to become the home of world-class, original, high end content which is necessary to drive the adoption and development of associated software and hardware.

*Supporting Creative R&D increases the number of good ideas that can be developed and brought to market. It also contributes to innovation within existing markets, both across the creative industries sector and across other industries too. Government could consider appropriate fiscal incentives to encourage Creative R&D, similar to tax credits that already exist across the creative industries.*

**Pillar 2: Developing Skills**

*The Creative Industries require a workforce with creative talent and skills.* In fact, the critical role of creativity across business and all industries is quickly becoming apparent as we move further into the digital era.

Highly creative and innovative occupations are at a very low risk of being automated and the number of jobs in the labour market being categorised as ‘creative’ are increasing\(^2\).

To support the continued growth of the creative industries, young people need an inspiring, high quality, up to date cultural education which supports the creativity, critical thinking, inter-personal skills and adaptability that businesses value.

**Talent Pipeline**

We agree that a co-ordinated approach across industry and government is required to identify and address current and future skills needs in the sector. The Arts Council is developing a 25 year Creative Talent Plan, working in partnership with De Montfort University. This will identify the key points of intervention and experience required in a young person’s life to unearth and develop their talent to a level that they can pursue a professional career in the creative industries or bring creativity to their work in other industrial sectors.

\(^2\) *The creative economy in Europe: Why human beings remain the economy’s key asset*
Our Creative Talent Plan runs alongside our strategic programmes which are already being delivered at a local level – the Cultural Education Challenge and Local Cultural Education Partnerships. These both encourage local partnerships between educational establishments, industry, HE/FE and other partners to support progression for young people from school into employment and training. We also support projects such as the National Saturday Clubs which again support young people to progress their talent and skills through education and training and to have access to industry professionals. Other initiatives which we have developed and funded to support young people develop their creativity and creative talents include Artsmark and Arts Award.

Public funding of the arts can operate as an incubator, developing creative talent for the commercial creative industries, including television film and the games industry. The investment that we make helps develop creative practitioners who go on to future success in the commercial market place and provide a return to the public by helping grow the UK economy.

In partnership with Channel 4, our five Random Acts Network Centres across England have talent-spotted, trained and nurtured over 200 young artist filmmakers. Led by an established arts or media organisation, the centres operate through extensive partnerships – involving local TV production companies, Higher and Further Education institutions, and youth arts and other community organisations with deep connections in their localities. Ninety per cent of their films have been accepted by Channel 4 to be shown under a new ‘First Acts’ brand for the Random Acts TV series or on their online platform and First Acts shorts made up a remarkable 23% of the BFI Future Film Festival programme.

We welcome the Government’s intention to publish a comprehensive careers strategy later in 2017. We fund projects like Creative and Cultural Skills’ Creative Choices, a Creative Industries focused online careers website widely used by schools, colleges and HEIs where young people can access careers and business advice, and find details of opportunities including work placements and apprenticeships. We would support the review of any Government provided careers advice to ensure that pathways to pursue creative careers are understood and appropriately signposted.

More broadly, we welcome the Government’s aim of strengthening technical education. The development of 15 technical routes, including ‘Creative and Design’ could help to improve standards and ensure clearer non-academic pathways into work. Alongside proposals to increase teaching hours in technical routes and incentivise work placements, apprenticeships will be a crucial part of addressing current and future skills gaps in the arts, creative and cultural sectors. They also help to broaden the diversity of the workforce and help to identify fresh new talent in a sector which is currently graduate heavy.

The creative sector has a high proportion of SMEs, micro businesses and freelancers and the number of freelancers working in the creative industries is growing quickly3.

SMEs often struggle to find the time and capacity to invest in apprenticeship development, and freelancers find funding the ongoing development of their skills a challenge.

Greater flexibility of apprenticeship delivery could address this in two ways. Firstly through an increase in the percentage (currently 10%) of levy funds that employers are able to transfer within their supply chain or to freelancers from 2018/19 onwards. Secondly by making the creation of geographic or sub sector consortia of employers to deliver apprenticeships easier.

In addition we would welcome an enhanced and faster process for signing off new apprenticeship standards through the new Institute for Apprenticeship and Technical Education (IFATE) to ensure that the investment of time, goodwill and effort, which has been made by employers to date, and continues to be made, results in a suite of relevant standards for our sector as soon as possible.

Employers are experts in their own industries and this expertise can be best harnessed if it is backed up with assessment expertise through the IFATE. This support would help maintain employer ‘buy in’ to the development of the new apprenticeship standards. Related to this we would welcome clarity from government on arrangements for End Point Assessment (EPA), including the role of qualifications, which is currently unclear to many.

**Libraries role in raising skills levels:**

While local authorities have a statutory duty to provide public libraries, the Arts Council is the national development agency for the sector in England and **we know that both public libraries and libraries in schools have a key role in providing careers and job seeking information at a local level.** As well as study space for learners, library staff are trained to provide support for people, including businesses, to access information and online resources.

In addition, support for Early Years cognitive development is a policy priority for the Arts Council. We are working with the Association for Senior Children’s and Education Librarians to provide a universal offer for all under-fives through public libraries. We welcome the green paper’s commitment to improving pre-school education and recognise that the facilities available through local libraries can usefully contribute to this. In addition, many Arts Council supported organisations provide pre-school activity.

**Pillar 4: Supporting Businesses to start and grow**

SMEs, micro businesses and freelancers dominate arts and culture and the wider creative sector. We therefore welcome the Government’s commitment to support small businesses, particularly with regards to accessing finance, supporting entrepreneurship, scale-up and growth.

Through investment in organisations like Creative United, we support business development in the creative sector. The new **Prosper** programme, delivered in partnership with the Arts Marketing Association (AMA) and the Centre for Business in Society (CBiS at Coventry University), will improve and strengthen resilience and
investment readiness for organisations across the arts, museums and libraries sectors by providing free one-to-one business advice, workshops, masterclasses, webinars and an online business support resource.

The Enterprising Libraries initiative, funded by the Arts Council, encouraged libraries to use their role as community hubs to spark local economic growth and improve social mobility. The role of libraries as places of knowledge exchange is being furthered through projects like the Living Knowledge Network pilot which was launched by the British Library (in partnership with 21 other libraries across the country) in September 2016.

However, there are a large number and broad diversity of individual businesses operating within the creative sector. Many organisations in the sector are charities or CICs, with business models focused on creative, cultural or social outputs rather than commercial enterprise. Between them they have a range of complex business development needs such as commercialisation and protection of IP, adjusting to the disruption and opportunities that new technologies bring, accessing finance, and navigating export markets to name a few.

There is a range of business support available, however is not always locally accessible or appropriately tailored to meet the needs of the creative sector. In addition, the report - Creative Industries: Routes to Finance – reflects the complex environment which arts and culture businesses must navigate in order to fund and finance their work

*We would welcome a review of the current offer to businesses operating within the creative sector, with a view to understanding how organisations might be better supported.*

**Pillar 6: Encouraging trade and inward investment**

Our arts and cultural offer in the UK is renowned world-wide. Organisations rely on international exchange for the talent development of individual creatives; in securing the resilience of our sector through the building of international partnerships and trading relations; and in the maintenance of a world class offer for audiences in England and for visitors to the UK.

Recent research into the international activity of our National Portfolio Organisations showed that nearly two thirds of them had undertaken activity during the past 3 years, and that overall, NPOs had generated 7% of their gross revenues from international work.

Arts and Culture can play a vital role in showcasing Britain more widely. A review of literature exploring this concluded that UK arts and culture promotes a positive image of the UK internationally, attracting visitors and business. Visit Britain estimated that Britain’s cultural and heritage attractions generate £4.5bn worth of spending by inbound visitors annually. Many of our ‘blockbuster’ museum and gallery exhibitions which draw visitors rely on long-established international

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agreements to ensure that we are able to secure and exhibit internationally acclaimed artworks and artifacts.

Our research with NPOs outlined some of the challenges to undertaking additional international work such as lack of information about opportunities and accessing new international markets. **Provision of industry-specific, locally based support for small businesses could play a major role in enabling businesses, particularly outside London and the South East, who are not currently exporting to do so (see also our response to Pillar 4 above and Pillar 9 below).**

Further to this, we recently published our [priorities for international collaboration post-Brexit](http://www.juliesbicycle.com/resources/sustaining-great-art-arts-council-environmental-report/) which reflects subsequent challenges that the sector has shared with us. In this, the English speaking world and Europe have been identified as our NPOs’ most established markets, and where NPOs tend to initiate their international activity. Ensuring that new trade agreements and any amendments to export/border controls **continue to facilitate the movement of creative talent and cultural objects to and from the UK will be essential for maintaining our global reputation for a place where world-class arts and culture can be created and experienced.**

We remain determined that the arts and cultural sector in this country will remain dynamic and open to the world, and that international partnerships will continue to underpin the sector’s future growth.

**Pillar 7: Delivering affordable energy and clean growth**

The UK Creative Industries – and in particular publicly funded arts and culture – are recognised as global leaders for transitioning the creative sectors to a low carbon economy. This has resulted in cost savings and greater resource efficiency.

The Arts Council has been working with Julie’s Bicycle over the last few years to support the organisations in our national portfolio who have reduced greenhouse gas emissions from energy use by 17% between 2014/15 and 2015/16 (despite a growth in cultural activity) thereby avoiding £5.1 million in energy costs during 2015/16. The sector is now starting a shift to renewable (low-carbon) energy, including for example a 23% increase in on-site renewable energy generation during 2015/16.³⁵ These changes are being done in a way that minimises the cost to UK businesses, taxpayers and consumers.

Many arts and culture organisations across England are now well placed to share their experiences of applying a long term resilience approach to their assets, and approaches of integrating business opportunities and growth with resource/energy efficiency.

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Pillar 8: Cultivating world-leading sectors
We will work with others such as the Creative Industries Council and Creative Industries Federation to develop proposals for a ‘sector deal’ and are happy to provide support to Sir Peter Bazalgette, DCMS and the Government in their work on this.

We are highly experienced at working in partnership to deliver our aims both across national forums and at a local level to deliver place-based initiatives. This duality makes us well placed to support initiatives which support national growth, as well as those initiatives which might support growth of the creative sector at a local level.

As reflected at the outset of our response, we feel that the following would support the sector to maintain its global competitive edge:

- Support for **creative research and innovation**
- Enabling arts and culture to fully contribute as a driver for **local economic growth and supporting place focused partnerships supporting and driving that growth**
- The need for those working in the creative industries and across the UK workforce to be able to access education, relevant information, advice, guidance and training which will **harness creative skills and enable creative talent to emerge and be developed**
- Supporting the arts and culture sector in England to operate **on the international stage, with adequate provision for talent and cultural exchange, and export**.
- **Continued public investment into world-leading arts organisations and museums** which act as ‘anchor institutions’ in local places and attract millions of international visitors every year.

Pillar 9: Driving Growth across the whole country
The Arts Council already supports the growth and development of the cultural sector to realise its full economic potential. However, there is further opportunity to close the gap in GVA contribution of creative/cultural industries to the wider economy, especially in places outside of London.

Cultural assets (arts organisations, museums, libraries) within a local area can drive economic growth in the following ways:

- They are an integral element of the creative industries, and thus a key factor for support and development when considering the creative economy in a place.
- At the heart of high-quality local tourist economies, transforming the visitor offer in ways which extend the season, attracts high spending visitors, support the night time economy and creates the good quality jobs – high skill and high wage – which characterise employment in the creative sector
- Creating an investment friendly environment that also is attractive to skilled workers
These cultural assets exist in a network of support within places that is supported by the Arts Council, local government, the private sector, HE and FE and LEPs.

Public funding – either from the Arts Council or local authorities – remains crucial to the cultural sector’s sustainability, and its contribution to growth in the economy. Arts organisations are adept at deriving income from other sources, but they need a steady source of income to promote that growth.

There has been pressure on Arts Council budgets in recent years, although we aim to increase the budget for our National Portfolio organisations in order to fund more organisations outside London. However, local government funding of arts and culture has fallen by 22% since 2011, and this puts at risk the sustainability of the cultural sector in many places round the UK. Local arts and cultural organisations are key to local leadership and initiative, and it is often public funding that enables them to innovate, form and lead partnerships and undertake R&D which is essential for developing content and new IP.

Government should consider how best to ensure public funding for arts and culture can be maintained, especially as pressures on local government funding continues.

Supporting place focused partnerships
We recognise that places have a distinct set of strengths and challenges when it comes to developing their local creative economy. Through our support and investment, we encourage the development of effective strategic economic plans, support the growth of hubs and ‘clusters’ of creative organisations, and stronger and sustainable tourist destinations.

For example:

- The Arts Council is a named partner for the Liverpool City Region and Tees Valley Combined Authorities, helping them put culture at the heart of their plans for future growth. LEPs such as South East Midlands, Oxfordshire and New Anglia have worked with the Arts Council to develop strategies relating to the cultural sector which inform broader priorities and plans, and also investment decisions.

- Through our Cultural Destinations programme in partnership with Visit England (2014 & 2017), we invested in locally led partnerships between cultural organisations and the tourism sector, in order to embed culture within local visitor economies, to grow them and to make employment within them high skill and high wage. Round 2 was designed to align Arts Council investment with the Discover England funding programme.

- The Arts Council’s Creative Local Growth Fund provides match funding for local activity that drives growth by investing in the cultural sector. Our £3.8m Arts Council investment in 9 local projects levered in £8.4m from ERDF and ESF, and £6.5m from other sources, including HEIs, the private sector and
local authorities. Universities and further education colleges are engaged with a number of the funded partnerships, and all are supported by the relevant LEP. Activity includes SME support, apprenticeships, and R&D.

- This way of working is also reflected in the Great Place Scheme with the Heritage Lottery Fund and Historic England. 16 successful applicants to the Scheme (which include a mix of urban, rural and coastal places) were announced in March 2017, each on the basis of how they sought to embed culture and heritage in local plans and strategies into the long term.

**Supporting Local Creative Growth**

There is an opportunity to build on long established and successful place based working by the Arts Council including Great Places Scheme, Cultural Destinations and Creative Local Growth Fund which all work to a similar partnership model. Our experience shows that skills development and economic growth are an output from this approach.

The Government should support the development of strategic partnerships focused on places, which include all relevant organisations able to lever culture’s contribution to growth – including cultural and creative organisations, HE and FE, LEPs, local authorities, destination organisations and the private sector.

**Going forward, the Arts Council can continue to work in this way to help drive growth in the creative industries, through the development of cultural and creative clusters.**

**Role of the Arts Council in supporting local creative growth clusters:**

- Working with others like the Creative Industries Council, Creative Industries Federation and sector skills councils, we can map the extent of the creative and cultural sectors, and develop methodologies by which growth potential can be assessed in order to identify key ‘creative clusters’ which have the most potential to increase their value to a local economy with additional support

- As the expert national development agency for the cultural sector, the Arts Council supports the sector through activity that builds capacity across England, and is able to invest strategically and at scale alongside local partners, including HE to grow talent, support innovation and creative R&D, and realise the economic opportunities which follow

- We can share our experience of good practice in the sector; identifying existing partnerships, local networks and Creative ‘hubs’ which currently support local creative businesses and which could be further strengthened and extended to offer a broad range of support to local creative businesses. Good examples include, creative fuse and Culture Forum North. These hubs or
‘creative clusters’ support the cultural infrastructure on which arts and culture’s contribution to growth relies\(^6\).

Government can:

- Support local gatekeepers such as LEPs and Combined Authorities to understand the potential of the creative economy to drive growth. This includes helping to identify places with growth potential and perhaps a requirement for LEPs to consider their local creative economy as part of their Strategic Economic Plan or for Combined Authorities to consider this as part of the development of a devolution deal.

- Find ways by which culture’s economic value can be grown and retained locally through new fiscal measures enabled by devolution.

- Ensure that the Arts Council and other relevant agencies have a formal role as a partner in devolution deals and Strategic Economic Plans

- Tasking and funding the Arts Council to develop and support cultural institutions to support effective clusters and growth

- Undertaking and disseminating research into how arts organisations can operate as catalysts, support and drivers of clusters and of growth. Working with agencies such as the Arts Council to support this and realise strategic opportunity

- Ensuring that local growth funding, as it is developed, takes account of the needs and realities of cultural organisations as well as creative SMEs. Arts and culture are fundamental to growth in the creative industries and can benefit from government support for growth and for localities, but this funding needs to be developed and structured in a way that is accessible and relevant to them (see our response to pillar 4) Ensure that DCLG, HMT and BEIS consult with the Arts council and with experienced LEPs and sector experts and representatives to facilitate this.

- Consider a specific local growth fund for the cultural and creative sectors to operate for a limited time, with a focus on a number of clusters which evidence has suggested are primed to grow.

- Identifying specific clusters on the basis of growth potential and local ambition to be the sites of Creative Growth Deals between government and its agencies, and local creative sectors and their partners in LEPs, HEIs, FE and local authorities.

Summary
The Arts Council invests a significant sum of money to support and sustain nearly 900 art and culture organisations in every part of the country. This world-class arts and culture infrastructure give the UK's Creative Industries a competitive edge in terms of creative ideas and skills.

Alongside this we work in partnership at a national level to build capacity and resilience in the sector; and at a local level we drive initiatives, through partnerships which support growth of the creative, tourist and broader economies.

With the knowledge, experience and expertise that we offer, we will work with others such as the Creative Industries Council and Creative Industries Federation to develop proposals for a ‘sector deal’ and are happy to provide support to Sir Peter Bazelgette, DCMS and the Government in their work on this.