Public Investment, Public Gain

How public investment in the arts generates economic value across the creative industries and beyond
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Creative Industries Federation and Arts Council England

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Cover artwork: Giant Spectacular (Jason Roberts) © photo: Culture Liverpool / Liverpool City Council
The success of Britain’s creative industries is now much admired. Their dynamic growth and massive contribution to the economy are widely appreciated. But the reasons for that success seem to be less well understood. Some put it down to exceptional and brave commercial investment. In fact, the main explanation for that success was the creation of an extraordinary talent pool, largely as a result of public funding.

It was the country’s post-war determination to invest in culture, the arts and creative education which produced the generation who were to revolutionise our creative industries. They went to art school not business school. They did not waste the cultural stimulation and the arts education which the state gave them.

The music industry, dominated by the US until the 1960s, was ignited by bands like The Beatles (John Lennon: Liverpool College of Art), The Who (Pete Townshend: Ealing Art College), The Kinks (Sir Ray Davies: Hornsey Art College), Queen (Freddie Mercury: Ealing again).

The advertising industry, dominated by the US until the 1970s, was taken over by British agencies like Saatchi and Saatchi (Charles Saatchi: what’s now the London College of Communication), BBH (Sir John Hegarty: London College of Communication), BMP (John Webster: Hornsey).

In the early 1970s, this country’s film industry was hanging on by a thread (thanks largely to its post-production expertise). Then a new generation of directors, often honing their skills in the resurgent advertising industry, went on to triumph in Hollywood: Sir Ridley Scott (West Hartlepool College of Art), Sir Alan Parker, Adrian Lyne.

In the fashion industry, the dominance of French couture was overthrown by the likes of Mary Quant (Goldsmiths) and Vivienne Westwood (Harrow Art School). A new wave of design brilliance was led by the likes of Sir Terence Conran (what’s now Central St Martins) and Sir John Sorrell (Hornsey again).

This commercial success was umbilically linked to the deep talent pool of the publicly funded arts.

Our publicly funded arts centres, theatres, orchestras, halls, galleries, schools and conservatoires did not only set standards and give inspiration – they were often the direct source of the exceptional actors, musicians, dancers, producers and technicians who built the commercial creative industries.

And these are just the most obvious benefits. All research consistently demonstrates that our culture is a primary reason why people choose to visit, set up business or study here.

Inbound investment, our tourist and hospitality industries and our world renowned education sector are the direct beneficiaries of our public investment in our arts and culture.

This investment in what makes our country great is more important right now than ever before.
The Impact of Arts and Culture

Arts and culture contributes more than £10.8bn GVA to the UK economy (more than agriculture).

In 2016, arts and culture contributed approximately £17bn turnover to the UK economy - a 7.9% increase since 2015.

For every £1 GVA generated by arts and culture, an additional £1.14 of GVA is generated in the wider economy.

Once these impacts are taken into account, arts and culture’s aggregate GVA reached £23bn in 2016.

In 2016, the arts and culture industry employed 137,250 people in the UK.

Culture pays £2.8bn in taxes - that’s £5 for every £1 of public investment.

For every job supported by arts and culture, an additional 1.65 jobs are supported in the wider economy.

This was an aggregate of 363,713 jobs in 2016.

1. Cebr, 'Contribution of the arts and culture industry to the UK economy', April 2019. This definition of arts and culture includes book publishing; sound recording and music publishing; performing arts and support activities to performing arts; artistic creation; operation of arts facilities including the operation of concert and theatre halls.
INTRODUCTION

In addition to enabling work with important intrinsic value and which provides great pleasure, public investment into the UK’s arts and culture unlocks social, reputational and economic value throughout the creative industries and beyond. It has cultivated new ideas, technologies, and cutting edge innovation; fuelled our talent pipeline and job growth in all parts of the UK; and leveraged private and inward investment to bolster British business.

Without public investment into arts and culture, the remarkable economic success of the UK’s creative industries – the fastest growing sector – would simply not be possible.

This report uses case studies to evidence this important contribution within three themes: talent, jobs and growth; innovation; new models of investment.

1. Talent, Jobs and Growth

Public investment in cultural organisations creates a pool of creative talent that is vital to the commercial success of the creative industries. For example, a significant number of well-known directors and actors from the vast Bond franchise honed their craft through subsidised organisations, projects and courses.

Skills shortages and gaps in the workforce are key barriers to creative industries growth, and funded organisations provide a vital training ground for those who go on to work both within the creative industries and outside it. Such organisations also create new pathways into the creative industries – diversifying and strengthening a workforce that is fit for the future and increasing the sector’s overall economic contribution.

Jobs in the creative industries are growing at four times the rate of the UK average. Public investment into creative organisations is crucial to unlocking growth in employment and GVA in local areas, with a huge impact on towns and cities such as Birmingham, Liverpool and Leeds. Investment into major institutions creates a halo effect, attracting additional investment and creating the right conditions for the small businesses and freelancers in the value chain to win contracts, deliver projects, and to thrive.

Businesses choose to move to and expand in areas that have thriving cultural centres, with arts and culture playing a key role developing vibrant centres of activity in the UK. Public investment in arts and culture generates clear returns in terms of tourism, jobs and the prosperity of the regions in which investment is made.

2. Innovation

Innovation – the process of translating ideas into new goods or services – requires the generation of ideas and monetising of intellectual property which is the bread and butter of the creative industries. As government’s Industrial Strategy recognises, public investment in the development of innovative technologies will position the UK as a future world-leader in these high-growth spheres.

Public investment has been vital to mitigating the risk involved in harnessing new tech and testing out new, creative products and services – both within the creative industries and across other sectors such as manufacturing and health. This is particularly important for the creative sector, primarily made up of micro-businesses and with little wiggle room to take on these risks alone.

The use of new technologies has made it possible for creative organisations both subsidised and otherwise to reach wider audiences in the UK and around the world, while the development of innovative ideas and ways of working have impacted sectors outside the creative industries, such as health and wellbeing.

3. New Models of Investment

Public investment in the UK’s creative organisations unlocks subsequent private and commercial investment as well as the future prosperity and sustainability of these organisations. Publicly funded organisations support the development of numerous innovative SMEs that reach commercial success and grow to support their own local economies.

For organisations looking to secure their own futures, early public investment into those organisations makes it possible for them to leverage private investment in the future and plays a vital role pump-priming innovation and testing out new ideas. Further, organisations which have received public investment are able to develop their own commercial arms more effectively than if they were starting from scratch.
1. TALENT, JOBS AND GROWTH

Without public investment into arts and culture, the remarkable success of the UK’s creative industries would simply not be possible.

The creative industries have seen growth in every single region of the UK.\(^2\)

In 2017, the sector contributed £101.5bn GVA to the UK’s economy.\(^2\)

This is an increase of 53.1% since 2010 (it is the UK’s fastest growing sector).

The creative industries generate more than 5.5% of the UK’s total GVA.

The creative economy accounts for one in 11 jobs across the UK (more jobs than the manufacturing sector and more than twice as many jobs as in financial services).

From 2010 to 2017, employment in the creative industries grew by 28.6% - creating jobs four times as quickly as the wider economy.

Creative industries businesses account for 12% of all businesses in the UK.
Developing talent

Public investment in cultural and arts organisations creates a pool of creative talent that is also vital to the commercial success of the creative industries at large. Sectors including advertising, architecture, film & TV rely on individuals such as actors, musicians, artists, producers, designers and composers who have developed their craft through subsidised organisations, initiatives, programmes and courses.

Phoebe Waller-Bridge, for example, trained at RADA and subsequently worked with a number of subsidised organisations and venues before her widely-recognised successes with Fleabag and Killing Eve.

Without this pool of talent, these organisations and their impressive economic returns would be seriously under threat.

Endemol Shine UK, London

Richard Johnston, Chief Executive Officer:

“Much of the work Endemol Shine does simply wouldn’t be possible without our hotbed of creative and dramatic talent, so much of which is nurtured by organisations and venues that receive public investment.

Actors we see in some of the UK’s most successful films and programmes, including Idris Elba, Olivia Coleman and Daniel Kaluuya, trained and developed their craft through subsidised programmes and courses. The financial success of Endemol Shine is deeply interlinked with the talent developed by the subsidised areas of the creative industries, and the quality of our country’s creative output would be far poorer without them.”

Endemol Shine UK is the leading producer behind a diverse range of hits including global entertainment formats, multi-award winning drama, genre defining factual and innovative digital content. Their many successful shows include Black Mirror, Broadchurch, Sunday Brunch and Masterchef.

Made up of over 20 production companies and labels, including television production businesses, digital content producers and talent agencies, the group produces content for all major UK and international platforms.

Skills shortages and gaps in the workforce are some of the key barriers to creative industries growth. Public investment has enabled organisations to provide vital training for those who may go on to work within commercial creative businesses and the wider creative economy, as well as to those who choose to remain within the arts and culture sector. A significant proportion of individuals will work across both subsidised and commercial organisations, with many freelancers’ portfolios also reflecting this crucial ecology. Increased pressure on skills shortages within the creative industries as a result of leaving the EU will mean that these subsidised support organisations will become even more important to the success of the sector.

As the number of jobs and opportunities in the creative industries continue to grow, publicly funded support organisations are able to create new pathways into these roles, diversifying and strengthening the UK’s workforce, creating a workforce that is fit for the future (87% of creative jobs are at low or no risk of automation) and increasing the sector’s overall economic contribution.

Publicly funded organisations also play an integral role in raising the aspirations of young people from less advantaged backgrounds, addressing market failures which mean that they and those advising them might not have previously considered a role in the creative industries.

This vital work ensures diversity of thought within teams, diversity of content produced, a greater supply of talent, and equal opportunities for all young people across England.

3 Creative Industries Federation, ‘Growing the UK’s Creative Industries’, December 2018
Karen Blackett OBE

Country Manager of WPP, a creative transformation company working in 112 countries across the world:

“The commercial and subsidised sides of the UK’s creative industries are intrinsically connected. Our thriving communications and marketing industry benefits greatly from people who have been able to develop their creativity and their skills through publicly funded programmes and initiatives. They are the creative minds behind our innovative client solutions, the musicians who soundtrack our adverts and the designers who construct our imaginative campaigns. Our industry would not be as strong as it is without the talent that stems from a flourishing subsidised cultural sector.

Furthermore, it is the diversity of voices, perspectives and backgrounds that will drive the UK advertising sector to prosper and succeed. Subsidised programmes help to grow our talent pipeline and future workforce, reaching out to young people from less advantaged backgrounds who wouldn’t otherwise have the knowledge or means to pursue a career in the arts.

Continued public investment in our creative industries therefore is an investment in our young people, the UK economy and our future.”

Ed Sheeran

Singer, Songwriter

“Without the funding for art, drama and music for young people then you just won’t have any home-grown talent at all. Without funded programmes and opportunities, a massive number of talented young people just won’t have the chance to discover what they’re capable of or develop their skills.

The music industry in England is one of the most powerful things in the world and one of Britain’s best and most lucrative exports. It just makes no sense not to support it.”

Ed Sheeran was awarded an MBE for his services to music and charity at the end of 2017 and is the proud recipient of 4 x Grammys, 4 x Ivor Novello’s, 6 x BRIT Awards (including two consecutive wins for ‘Global Success’ in 2018 and 2019), 6 x Billboard Awards and many more.

With three UK No.1 albums under his belt, ‘+’ (2011), ‘x’ (2014) and ‘÷’ (2017), Sheeran has sold over 45 million albums worldwide. His most recent album, ‘÷’, shattered records across the globe upon release and went onto become the fastest-selling album, ever, by a male solo artist in the UK. The blockbuster single “Shape of You” became the first ever track to reach two billion streams on Spotify.
A New Direction
Public investment enables young people to progress into careers across the creative economy

A New Direction is a non-profit organisation that generates opportunities for children and young people to develop their creativity. A key part of this work is enabling young Londoners to progress into careers in the creative economy through the Create Jobs programme. A New Direction works with young people who are under-represented across the creative economy, and who because of their background and upbringing don’t have the networks, connections and support they need to take up the myriad opportunities that exist in London.

Over the last five years, 400 young people have gone through short courses and progressed into paid employment.

Between 2017 and 2018, A New Direction have:
- Worked directly with 578 young people, supporting with industry advice and guidance
- Of this, 159 participated in industry training, work experience and mentorship
- 96 progressed into work or further study

A New Direction operates a mixed funding model. An annual grant from the Arts Council supports its core operations and enables much of its work with schools and children, as well as with the arts and cultural sector. It receives grants from other trusts and foundations, contracts from public sector operators such as the Department for Work and Pensions and Jobs Centres, and from private businesses.

A New Direction ensures that London continues to espouse the truly diverse culture which is hugely attractive to international investors. Major players like Amazon, Google, Facebook and Salesforce have made their global hubs in London alongside high-growth tech companies in fashion and marketing. These businesses could go anywhere, but they come to London for the connectivity and the highly educated, diverse workforce. Crucially, they come because it is an exciting place to live with creativity and culture deep in its DNA.

Sir John Hegarty
Founder of global advertising agency Bartle Bogle Hegarty (BBH)

“There’s no question the future is creative and those industries that support this future are essential to the success of UK plc. The Government plays an important role by continuing to fund art groups that are the breeding ground for diverse talent. This gives the UK a unique advantage. One we must surely not relinquish.”
Public funding also supports the professional development of employees and freelancers further along in the world of work, ensuring that the workforce is up to date with recent trends, technologies and practices that sustain our creative industries’ world-leading reputation.

Creating jobs

Jobs in the creative industries are growing at four times the rate of the UK average, and are set to continue on this trajectory. Creative organisations and public investment are crucial to unlocking growth in employment and GVA in local areas, with a huge impact on those towns and cities outside the capital. Such investment into significant institutions creates a halo effect, attracting additional investment and creating the right conditions for the small businesses and freelancers in the value chain to win contracts, deliver projects, and in turn grow and thrive.

Katie Popperwell
Freelancer, Creative Producer, Arts Programmer and Creative Consultant in Manchester

“As a self-employed producer and programmer working in the arts and culture sector in Manchester, I would estimate that revenue from publicly funded projects typically accounts for around 40–60% of my income.

Even more notable is the nature of the work that these projects make available to freelancers. The publicly funded projects I’ve worked on have largely been well planned and well resourced. They have legacy, transparency and accountability built into them, so you know that the work that you are doing is going to make a genuine impact. This engenders longer-term thinking in what can be an unstable and risky professional environment dependent on short-term projects and non-core budgets.

This enables freelancers to plan their own career development and invest in training. Working on publicly funded projects supports the more commercial side of my business because it ensures that my portfolio is critically engaged and helps me build networks and a pipeline of work opportunities.

Enabling freelancers to develop in this way is vital to strengthening the wider creative industries and the cultural infrastructure of our cities.”

Katie’s projects range from being a live music programmer and producer for the Manchester International Festival, Executive Producer of Asia Triennial Manchester (led by Manchester School of Art) and Director of the Spinningfields Art Commission through to consulting for ASK Real Estate and working as Programme Director for Cultureplex Manchester (due to open in June 2019).

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4 “UK labour market projections show that the rate of growth for both creative and STEM (science, technology, engineering and mathematics) occupations will be more than double the average job growth across the whole UK economy,” Creative Industries Federation & Nesta, ‘Creativity and the future of work’, May 2018.
BBC North, MediaCity, Salford

Creative investment in the regions repays economic, social and creative dividends

The BBC moved a significant part of its activities to Salford Quays in 2011/12. BBC North set out to achieve a visionary media centre of the future. The BBC, in partnership with local authorities, commercial developers, small businesses and the community, has created a vibrant, creative hub that is repaying economic, social and creative dividends.

The BBC was a significant driver of increased employment in Manchester from 2011–2016. It accounted for over half of the increase in the number of people working in Manchester’s media sector between 2007–10 and 2015–16, sustaining employment over the period 2007–10 to 2011–14 at a time when employment by firms in the media sector in other parts of the country was falling following the 2008 recession. 87% of the BBC’s workforce in Salford resides within the north west and just under half live within the Manchester postal district. Consequently, the spending of the BBC’s employees contributed to positive ‘induced’ economic benefits in Manchester and surrounding areas.

Analysis by Frontier Economics in 2015 showed that the BBC relies on the goods and services supplied by firms in the media sector and also a number of other sub-sectors in the creative industries – particularly those supplied by firms in the following sectors: IT, software and computer services; music, performing and visual arts; and publishing. The number of people employed per year in Manchester’s IT sub-sector more than tripled between 2007–10 and 2015–16. Over the same period, employment in Manchester’s music sector more than doubled in size.

The case for public investment is linked to the presence of market failures. For example, in the TV production sector, finance can be hard to obtain from traditional sources as small independent companies often have few fixed assets, and their intangible assets can be difficult to value until they are marketed.

One of the key objectives of the move to Salford was to bring economic benefits to the region. The statistics cited above suggest that the BBC has been successful in bringing new jobs and increased economic prosperity to the area around Media City UK.

Andy Burnham

Mayor of Greater Manchester

“Throughout Greater Manchester, arts and culture remains absolutely central to our society. We are known globally for our festivals, theatres, musicians, venues, galleries, museums, football clubs and more, which is why we are building on this with our first Culture Strategy for the city-region. Arts and culture are vital for our residents and play a key role in attracting people from within the UK and around the world to come and visit.

The economic benefits of public investment in culture are clear, from attracting visitors and investors to improving people’s health and wellbeing and generating a sense of pride in our wonderful place.

Investment into major cultural institutions supports an ecology which, in turn, enables the development of freelancers and small organisations through the supply chain.

Through public investment in our arts and culture, Greater Manchester will continue to enable its success and unlock the continued, remarkable growth of the creative industries at large. It is right that we celebrate our distinct and diverse cultural offer and encourage our residents to participate in and enjoy the internationally significant work that Greater Manchester is known for.”
Attracting and sustaining business

Creative enterprises are key to the provision of jobs, and thriving cultural centres play a central role attracting global firms to relocate to the UK’s cities. Businesses choose to move to and expand in areas that have thriving cultural centres.

Organisations such as PwC have highlighted the importance of cultural impact in an area for attracting and retaining the best talent. Once in place, a prosperous subsidised culture sector presents opportunities for businesses such as architecture practices to collaborate on exciting new ideas and products and to continue to grow.

“Birmingham’s cultural identity and offering is a key attraction to visitors and colleagues, and enables our commitment to sustainable growth and investment.”

PwC

PwC in Birmingham

PwC is actively rebalancing its workspace and people to a more balanced footprint across the UK to major cities, like Birmingham, matching the changing footprint of its clients, and to make the most of new opportunities across the UK economy. As part of this transformation, the Firm is making its single largest investment in the UK outside London in Birmingham at One Chamberlain Square, part of the Paradise development.

One Chamberlain Square will be the new destination for its current 1,800 colleagues in the city, as it continues to grow its workforce to around 2,200 by 2020/21. PwC is committed to recruiting local talent including school leavers, young apprentices and graduates. In 2018, 55% of PwC’s graduate intake was recruited into roles outside London and that will rise to 60% in 2018/19.

Matthew Hammond, Senior Partner for PwC’s Birmingham office and Chair of the West Midlands Growth Company: “Birmingham’s rich cultural heritage is brought to life through its world-renowned museums, galleries, many theatres and music venues, as well as the City of Birmingham Symphony Orchestra and Birmingham Royal Ballet, all of which are in walking distance from our base in the city.

Our significant investment at One Chamberlain Square is creating a memorable destination where our people, clients and visitors from around the UK, and further afield, will want to visit and work. Birmingham’s cultural identity and offering is a key attraction to visitors and colleagues, and as a key investor and employer in the city enables our commitment to sustainable growth and investment.

Birmingham is one the fastest improving and highest performing UK cities, according to our Good Growth for Cities Index, across a range of indicators including work–life balance. As a major employer in the city, this is vitally important in attracting and retaining the best talent, and the cultural impact of Birmingham is a key influence in bringing people to live and work in the region.”
Hawkins\Brown

Hawkins\Brown is an internationally-renowned, award-winning practice of over 250 architects, interior designers, urban designers and researchers. Here, they highlight the role that public investment in culture has played in their success.

Hazel York, Partner: “In 2015 we launched our Manchester studio. Since then, we have gone from strength to strength, immersing ourselves in the city’s thriving cultural scene. Opening a studio in Manchester has enabled us to offer career opportunities outside London to our existing staff – as well as the opportunity to nurture local talent in an exciting city that has always had a strong architectural community and thriving cultural economy.

We have worked with publicly funded partners like the Manchester Museum’s Partnership to promote and celebrate Manchester’s creative economy. Our five-year partnership with Manchester International Festival (MIF) has fostered local collaborations with international reach. We have worked with artists such as Jeremy Deller, and more recently Ibrahim Mahama, to realise brand new commissions that have subsequently won awards and toured internationally.

Our current success owes much to the subsidised cultural scene in Manchester.

The region boasts some of the best architecture schools in the country, providing a pipeline of creative talent. Public investment in the region means many young people now want to make Manchester their home. As an employer, we have been able to tap into that. We now employ 29 fantastically talented staff in Manchester, many of whom trained locally, thanks in large part to the quality of publicly funded training and education available in the region.”
Arts and culture are central to developing these thriving and attractive centres of activity in the UK. Public investment in arts and culture generates clear returns in terms of tourism, jobs and the prosperity of the regions in which investment is made.

Art in the Park, Leamington Spa

In 2018, this festival in Leamington Spa saw over 200 artists showcasing and selling their work, live music, theatre and dance performances. The festival, which is organised by Leamington Art in the Park Festival CIC, attracted an audience of around 46,200 visitors.

Art in the Park 2018 generated almost £1.8 million worth of economic activity in Leamington Spa. The estimated economic impact on Leamington Spa was £474,738 (before multiplier), or £593,423 (after multiplier). For every £1 spent by Art in the Park, a return of £25.67 was generated.

Bradford Literature Festival

Bradford Literature Festival (BLF) is run by the community interest company Culture Squared. A combination of both public and private sector funding has been the foundation of BLF’s exponential growth over the previous four years. Over the past four years, BLF has grown from a two-day event attracting an audience of 968, to a ten-day festival which attracted audiences to Bradford of 70,349 across 10 days in late June/July 2018.

BLF has earned the title of ‘Most Diverse Festival in the UK’, reflecting a consistent record of attracting significantly more diverse audiences from across ethnic, cultural and religious communities than can be found at almost any other major literature festival in the UK. 51% of the 2018 festival’s attendees were from black or minority ethnic backgrounds. This commitment to diversity has also been noted by visitors, with 83% of attendees stating that they mixed with people from different social and/or ethnic backgrounds and 84% stating that they felt a sense of inclusion at the festival.

An independent evaluation of the festival (‘Bradford Literature Festival – An Evaluation of Social Return’) found that:

- The total social return of the 2017 festival (attracting 50,000+ visitors) was calculated at £2,672,396.
- The survey also estimated that the 2017 festival contributed £189,868 to the local economy.

Against an investment of £900,000, of which 50% was investment from Arts Council England (ACE) and other public funds, every £1 invested in BLF produced a social return value of £2.97.

In the 2018 festival:

- 82% of international visitors stated that the festival improved their view of Bradford.
- Of the 53% local audience, 85% of those surveyed stated that the festival made them proud to live in the city.
2. INNOVATION

Innovation – the process of translating ideas into new goods or services – requires the generation of ideas and monetising of intellectual property which is the bread and butter of the creative industries. As government’s Industrial Strategy recognises, public investment in the development of innovative technologies and their uses, before the stage at which commercial returns are made, will position the UK as a world-leader in these high-growth spheres for years to come.

This is now more important than ever as the UK forges its future outside of the EU and seeks to radically increase its exports and inward investment.

The creative industries have always led the way when it comes to innovation, both to grow their own businesses, creative offer and reach, and to achieve broader economic and social outcomes. Public investment has been vital to mitigating the risk involved in harnessing new tech, developing creative ideas, and testing out new creative products and services – both within the creative industries, and in developing creative solutions across other sectors such as manufacturing and health. This is particularly important for the creative sector, primarily made up of micro-businesses and with little wiggle room to take on these risks alone.

The use of new technologies has made it possible for creative organisations both subsidised and otherwise to reach wider audiences in the UK and around the world. For example, NT Live – the National Theatre’s platform to broadcast world-class theatre into cinemas – broadcasts productions to 2,500 screens in 60 countries, including over 700 screens across the UK from Penzance to the Shetland Islands. This wider reach leads to an increased potential for return on public investment, the generation of commercial success, and opportunities to impact the lives of significantly more people.

Public investment, therefore, is central to creating the right circumstances within which the sort of innovation that will drive both the UK’s economic health and global reputation can thrive. These circumstances (such as the reputational benefits of the UK’s major subsidised organisations) then play an important role attracting subsequent private investment that ensures the sustainability of such R&D and innovation-based initiatives.

Benefits outside the creative industries

Public investment into creative R&D and innovation not only generates economic value within the creative industries, but also in other sectors including health and wellbeing. Public investment into cross-industry collaborations including arts and culture can reduce costs faced by the NHS and enhance the effectiveness of services.

Venki Ramakrishnan
President of the Royal Society

“Innovation is not about any single sector – if anything the lines are becoming increasingly blurred with technology driving progress in so many different areas and careers becoming more flexible and varied. We need to invest in outstanding people and ideas wherever we find them, and creativity remains important across this whole spectrum.”

The Royal Society is the independent society of the UK and the Commonwealth, dedicated to promoting excellence in science.

Ian Callum
Director of Design, Jaguar

“Design and creativity are at the very heart of Jaguar. Creative thinking is the starting point for all of our products and continues through the complete process. Without new ideas and concepts we cannot move forward. Creativity needs to be at the centre of every industry and indeed any institution. It moves the world to a better place.”
Immersive Storytelling Studio, National Theatre

Public investment in the R&D of creative content ensures that the UK will emerge as a leader in the developing global content market.

The National Theatre (NT) is one of the UK’s most prominent publicly funded theatres. Part of Arts Council England’s National Portfolio, it receives an annual Arts Council England (ACE) grant of £16.7m (2018-2022), representing 16% of its turnover. The grant allows the NT to act as a catalyst for future innovative and creative development.

The NT’s Immersive Storytelling Studio (ISS) is dedicated to working with technologies including virtual reality, augmented reality, mixed reality, 360° films, projection mapping and motion capture.

As the immersive technology industry is still in its early stages, the commercial returns for work of this kind are several years in the future. Sustained public investment in the R&D of creative content ensures that the UK will emerge as a leader in the developing global content market.

The NT’s R&D investment generates three outcomes:

1. It develops existing leading theatre talent as practitioners for immersive technologies.
2. It experiments with how artists and producers can use immersive technologies, sharing learnings with the sector.
3. It commissions immersive productions and content which will be revenue generating in the future.

Subsidy is essential because it allows this emerging sector to innovate and develop the skills and structures required for future commercial success, for which the potential is huge.

The ISS remains lean by drawing on the NT’s in-house resources – such as leading artists, technicians – which is possible because of existing public funding.

The NT’s Arts Council funding makes the ISS an attractive partner to national and international partners and investors, generating inward investment in UK PLC. The ISS currently attracts an ongoing partnership with Accenture that covers 30% of the expenditure, as well as other partnerships and sponsorship.

This interest in investment is piqued by the conditions generated by subsidy which include:

- Internal expertise and resource dedicated to developing new artistic work.
- A setting which presents subsidised and free work to an existing audience – delivering practical R&S insight and developing audiences of the future.
- Existing valuable intellectual property that is globally recognised (for example, War Horse, which has toured to 11 countries around the world).
Sheffield Doc/Fest
Promoting innovation and mitigating risk

Sheffield Doc/Fest is a world-leading festival celebrating the art and business of documentary and non-fiction storytelling across all forms. Each year the festival welcomes over 25,000 festival goers, including around 3,500 industry delegates from 55+ countries. The festival champions new talent and innovation to ensure industry remains at the cutting edge. June 2019 will be its 26th edition.

The Marketplace & Talent Programme offers extensive opportunities for national and international artists, filmmakers and producers – both emerging and established – to unlock funding for new projects, forge industry partnerships, obtain mentoring and advice and catch up on the latest trends and developments facing documentary makers today.

In 2018, more than 330 industry decision makers joined 830 marketplace participants to broker deals to an anticipated value of £10.5 million.

Public funding has allowed the festival to take risks, and to invest in creatives also taking risks – whether that be experimenting with new technology, championing diverse voices, or pushing boundaries in various other ways which cannot be supported by the market alone.

Becoming an Arts Council NPO has specifically allowed the festival to develop their innovative Alternate Realities programme which champions content within the spheres of virtual reality, artificial intelligence and interactive and immersive story worlds that challenge the documentary form. They programme an exhibition, discussions on the development of the market and a summit which brings together creatives to discuss the future of storytelling through new technologies.
STEAMhouse, Birmingham
Public investment supports SMEs and new enterprises to become sustainable

STEAMhouse is a creative research innovation centre in Birmingham which supports innovation and prototyping by brokering relationships between business, academics and the creative industries. The centre demonstrates how creativity can be combined with STEM subjects to drive innovation, skills, research, and economic growth.

STEAMhouse is themed around the growth sectors of low carbon, health and life sciences, advanced manufacturing, and creative and digital, as part of Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) strategy. It is led by Birmingham City University in partnership with Eastside Projects, and funded by the European Regional Development Fund (ERDF) and Arts Council England through the Creative Local Growth Fund.

STEAMhouse provides support to SMEs and new enterprises from the GBSLEP region to develop new products and services that create business solutions to fuel long-term economic growth. The next stage will expand its range of digital tools to include virtual reality (VR), augmented reality (AR), mixed reality and high-end 3D printers to allow the centre to connect with a broader range of innovative, commercial SMEs.

The Arts Council grant contributes to managing the financial risk and makes it possible for the creative industries to unlock growth in other sectors. The grant has led to the university’s commitment to supporting STEAMhouse in the long term and to embedding innovation within Birmingham’s local growth narrative.

HausBots

STEAMhouse business HausBots has created a wall-climbing painting robot using unique solid-state vacuum technology. When completed, the product will be sold to commercial painting and decorating contractors for use in warehouses, schools and commercial buildings. The robot can paint quickly and climb up to 5m, saving expenditure on health and safety and scaffolding.
Culture, Health and Wellbeing Alliance, Leeds
Creative innovation in health

The Culture, Health and Wellbeing Alliance (CHWA) coordinates a national voice for organisations that transform health through cultural engagement and participation. It is entirely funded by Arts Council England.

CHWA’s member organisations support the health and care sector to become more sustainable. They are mostly supported by Arts Council England, either as NPOs or via grant support, or by the Heritage Lottery Fund. Social prescribing, which enables GPs to refer patients to local non-clinical services including “arts-on-prescription”, is a key priority for the health and wellbeing sector.

Gloucestershire Clinical Commissioning Group has embarked on a social prescribing programme in the face of increasing life expectancy and patient demand. Arts and creativity programmes are offered to people facing mental health problems or chronic pain. Targeted interventions are also being developed within clinical care pathways such as the Singing on Prescription intervention for chronic obstructive pulmonary disease patients.

The Artlift arts-on-prescription programme in Gloucestershire showed a 37% drop in GP consultation rates and a 27% reduction in hospital admissions. This represents a saving to the NHS of £576 per patient.

Kate D Levin
Bloomberg Philanthropies

“We constantly see the unique ripple effect that accompanies public investment in the arts in cities around the world. The creative sector catalyzes significant collaborations between government and business, and across local and national interests that might not otherwise recognise their common ground. As artists and organisations fulfill specific visions, they generate benefits that positively impact communities, boost the local economy and improve quality of life for citizens.”

Bloomberg Philanthropies works in nearly 480 cities in more than 120 countries around the world to ensure better, longer lives for the greatest number of people. The organization focuses on five key areas for creating lasting change: Arts, Education, Environment, Government Innovation and Public Health. Bloomberg Philanthropies encompasses all of Michael R. Bloomberg’s charitable activities, including his foundation and his personal giving. In 2018, Bloomberg Philanthropies distributed $767 million.
3. NEW MODELS OF INVESTMENT

Being at the cutting edge of innovation, maintaining a global creative lead, and keeping pace with the consumer demands a business model that can both take on risk and attract private investment. Many cultural organisations have achieved creative and commercial success through a diverse mix of income streams, with public investment playing a vital role kick-starting new initiatives and taking them to a stage that’s attractive to private investors. Generator North East, for example, has harnessed its NPO funding to increase its revenue by 400% in the last financial year.

Diversifying revenue and commercialising activities has become increasingly recognised as vital to sustainability and growth. In a survey of 1,312 arts and cultural organisations in 2015, 57% expected their total income to grow over the next three years, primarily driven by increases in earned income and private investment. This is in part why the strategic focus of Arts Council England Development Funds for 2018–22 includes “diversity, resilience, innovation in business models and leadership development”.

Without such innovation, public investment would be unsustainable; and for many, without public investment, commercialisation and private investment would simply not be possible.

Beyond the growth of their own business, outreach, and creative success, positive impacts are felt by the wider creative community and local economies too. 82% of the arts and cultural organisations surveyed by Cebr in 2019 reported that they provide an array of support to local artists or commercial creative industries, with the majority reporting positive feedback from those who received this support.

Within the Creative Industries, London and the East Midlands were the fastest growing regional areas in terms of GVA in 2017, both growing over 9% from 2016 compared to a sector average of 7.1%. The West Midlands and Scotland have grown their regional GVA by over 40% since 2012, while London’s GVA has grown by over 50% in that period.

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**An investor’s perspective**

**Edge Investments**

“Grant funding allows creatives to experiment with concepts that private funders can then support at a more developed stage, ultimately allowing many businesses to receive private financial support which would not otherwise have done so. In the creative industries there is often a tension between those seeking financial returns and those that are focused on increasing creative output. Grant funding allows room for creative risk and is therefore a crucial part of the funding environment for the sector. This grant funding then allows for a greater degree of clarity on the likelihood of future success for funders such as ourselves that have a responsibility to our own investors to invest in businesses with demonstrated traction.”

**Sherry Coutu CBE**

Chair of Raspberry Pi (Trading), Founders4Schools, Workfinder & The Scaleup Institute

“It is clear that public investment and grant funding play an important role in the ecosystem for the whole of the creative industries. Early investment enables individuals and small businesses to develop creative concepts and ideas before the point at which they become commercially viable. Many investors look for opportunities with demonstrable traction, meaning that they can be more cautious about committing their funds to a sector, like the creative industries, with which they may be less familiar. Public investment enables organisations and entrepreneurs to develop proof of concept before leveraging subsequent investment. In this way, public investment enables organisations to develop business models that work and become self-sustaining. The financial and societal benefits of this subsequent success can be felt through their communities and beyond.”

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8 Available at https://www.artscouncil.org.uk/how-we-invest-public-money/arts-council-development-funds
9 Cebr, Contribution of arts and culture to the UK economy, April 2019
10 DCMS Sectors Economic Estimates 2017: Regional GVA
11 Ibid
For organisations in the creative industries, a common growth journey involves initial support from an early grant and public-backed investment, which then enables organisations to attract private investment further down the line. In this way, public investment addresses the market failure that would prevent these businesses succeeding in their early stages and means that they can go on to achieve commercial success in the future, contributing back to their local economies.

“Public investment is important because it gives small start-ups the chance to grow, with massive financial and cultural benefit for the country as a whole.”

Fourth State, Colchester

Fourth State develop video games at Essex University’s Games Hub in Colchester. The company’s first game, Lost Words: Beyond the Page, has already won several awards.

After working on Lost Words in his spare time for two years, funding from the UK Games Fund allowed its creator, Mark, to quit his job and dedicate his full time to starting Fourth State. After a year, investment from Creative England and a grant from the Wellcome Trust enabled Mark to contract more freelancers and grow the business. Over the next two years, the company secured further investment and made good progress on the game. This included attracting £75,000 through the Seed Enterprise Investment Scheme and securing a publishing deal with Modus Games.

Mark Backler, Founder: “Without this money it would not have been possible to make the game, and with digital distribution we have the potential to reach an audience of hundreds of thousands of people all around the world. Public investment is important because it gives small start-ups the chance to grow, with massive financial and cultural benefit for the country as a whole. Starting up a business is especially challenging in today’s financial climate, so funding that can help support this can be the difference between companies succeeding or failing. It also allows companies outside of London to achieve investment which otherwise can be challenging, despite the fact that having more companies based in smaller regional hubs around the country is positive for the economy and prosperity of the country as a whole.”

Lost Words © photo: Sketchbook Games
Generator North East

Generator North East is a leading creative, digital and music sector specialist development agency in the North of England. Music has always been at the core of Generator’s work, and from their talent development programmes over the years they have launched the careers of numerous commercial artists including The Lake Poets, Nadine Shah, Eliza and the Bear, and Jake Houlsby.

From the early days of supporting musicians, through to the digital transformation of the music industry, Generator has adapted and grown to become a leading business support agency. By forging an increasing number of partnerships across a wide range of sectors, Generator has continued to support creative and business talent within the music industry while also attracting funding to support the digital sectors.

Generator’s commercial arm is growing with the acquisition of Digital Union in 2015, a subscriber-based membership organisation that is beginning to produce paid-for masterclasses and training programmes. Generator is also growing by developing programmes with investment agencies to support business growth following initial investment. Through this, they’ve not only harnessed both public and private investment to fuel the growth of their own business, but that of other creative businesses too.

Generator is an Arts Council National Portfolio Organisation, meaning that ACE’s investment has been central to the growth of the organisation.

Jim Mawdsley, CEO: “Without this support we would not be able to maintain the team or use the funding as a platform to attract additional funding. We would not have had the confidence to build our increasing commercial revenue streams. In the last financial year, we used our NPO funding to lever an extra 400% revenue. We use our public investment and match it with sizeable European Regional Development Fund contributions to support the growth of the creative industries in the North East of England. The digital and tech sector in the North East contributed nearly £2 billion to the UK economy in 2017, and many of the businesses that contributed have been assisted by organisations such as Generator. Without this support the North East would not be as creative, vibrant and productive as it is today.”

“In the last financial year, we used our NPO funding to lever an extra 400% revenue”
Culture Central, Birmingham

Public investment enables organisations to develop new ways of working

Culture Central is a collective voice and development agency for culture and the creative industries in Birmingham and the wider region. It develops projects that have the potential for a positive impact on both the sector and the region.

Culture Central was founded by a group of cultural institutions in 2016 and now leads and manages projects that bring together organisations from across the region. Its remit includes policy work, festival and event delivery and initiating forward-thinking projects. It plays an important role facilitating innovation and experimentation and presents a new way of working at city scale in the face of changing public sector resources, capabilities and leadership.

Culture Central is funded through its creative members, which include organisations and commercial businesses with a wide range of different funding models. Members include the City of Birmingham Symphony Orchestra, Birmingham Museums, Birmingham Hippodrome, The NEC Birmingham, MAC Birmingham and many others.

By bringing together all organisations involved in making the Birmingham City Region an internationally recognised place for culture and creativity, including both those which receive public investment and those which do not, Culture Central is able to guide projects which these organisations would not be able to deliver alone. These range from directly delivering the Birmingham Commonwealth Games ‘Handover’ event to an international TV audience of 100 million through to distributing dozens of development grants to the dance community through Dance Hub Birmingham.

Gary Topp, former Chief Executive of Culture Central and Interim Executive Director of Arnolfini:

“The cultural sector is at an important ‘flex’ point in its business models. This is often attributed to public sector austerity, but is also to do with changing demographics as well as consumption and production patterns. This means that there is an urgent need to build new ways of working and thinking. Greater collaboration – both formal and informal – is a central part of the change required and, like all innovative processes, requires investment. Creating space, time and opportunity for change to happen is very challenging at a time when many organisations are so focussed on their own immediate challenges. Public investment to support the type of development enabled by organisations like Culture Central will pay substantial dividends in the future.”