

Investing in creative industries?

a guide for local authorities





a guide for local authorities

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for more information please go to www.idea.gov.uk/creativeindustries

I about investing in creative industries?

A guide for local authorities

Creative industries are increasingly cited as one of the sectors likely to be a future source of jobs, innovation and productivity. Yet for local areas, faced with multiple calls for investment and tighter resource constraints, it can be difficult to know whether creative industries should be a priority for local investment.

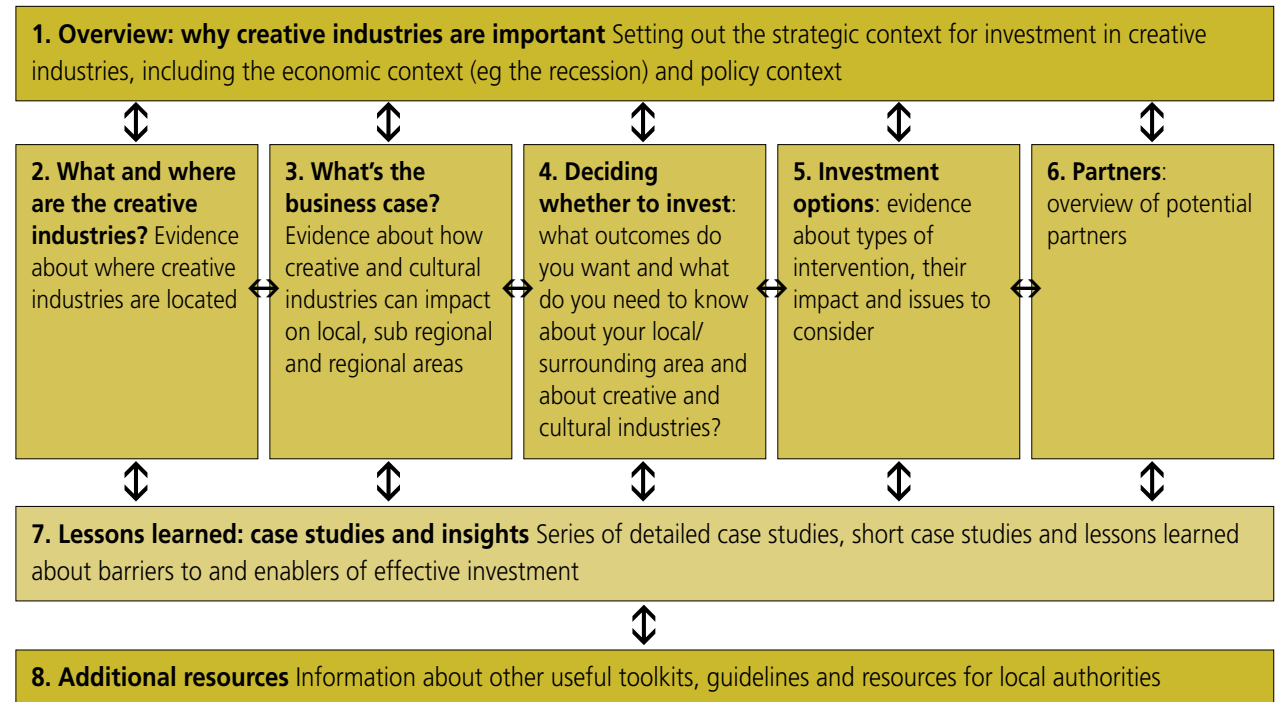
To take an informed decision about whether to invest, local authorities need to know the answers to a range of questions, including:

- what outcomes might investment in creative industries deliver?
- will the characteristics of their local economy make it more or less likely that investment will deliver these outcomes?
- who are the partners with whom local authorities could work?
- what are the factors that have helped investment in creative industries be more or less successful in other local areas?
- what are the types of investment that will deliver the desired results?
- what other resources will help local authorities decide whether and how to invest in creative industries?

To respond to this need, the Work Foundation, supported by the Department for Culture, Media and Sport and the Local Government Association, has developed these resources. Information is available:

1. online at www.idea.gov.uk/creativeindustries
2. in a printed report available to download from the website or from the LGA on request.

figure 1 overview of resources



In all its forms, the guide can be read all the way through or users can go to the most relevant section to them. To ensure that users benefit from valuable information contained in other resources, each section also contains links to resources and guidelines available elsewhere. This pamphlet summarises the key findings of the fuller resources available online.

2 what are the creative industries?

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The creative industries are defined by the DCMS as “those industries which have their origin in individual creativity, skill and talent which have a potential for job and wealth creation through the generation and exploitation of intellectual property”¹. The definition of the creative industries used by the DCMS includes 13 industries: advertising, architecture, art and antiques, computer games, crafts, design, designer fashion, film and video, music, performing arts, publishing, software and TV and radio. This definition remains the subject of debate, however, as discussed in the fuller report and online.



1. DCMS (2001) Creative Industries Mapping Document, see http://www.culture.gov.uk/reference_library/publications/4632.aspx/

3 why consider investment in creative industries?

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Local authorities can benefit from investment in creative industries because of their relevance to a range of national, regional and local policies, as well as their potential to impact on economic and social outcomes.

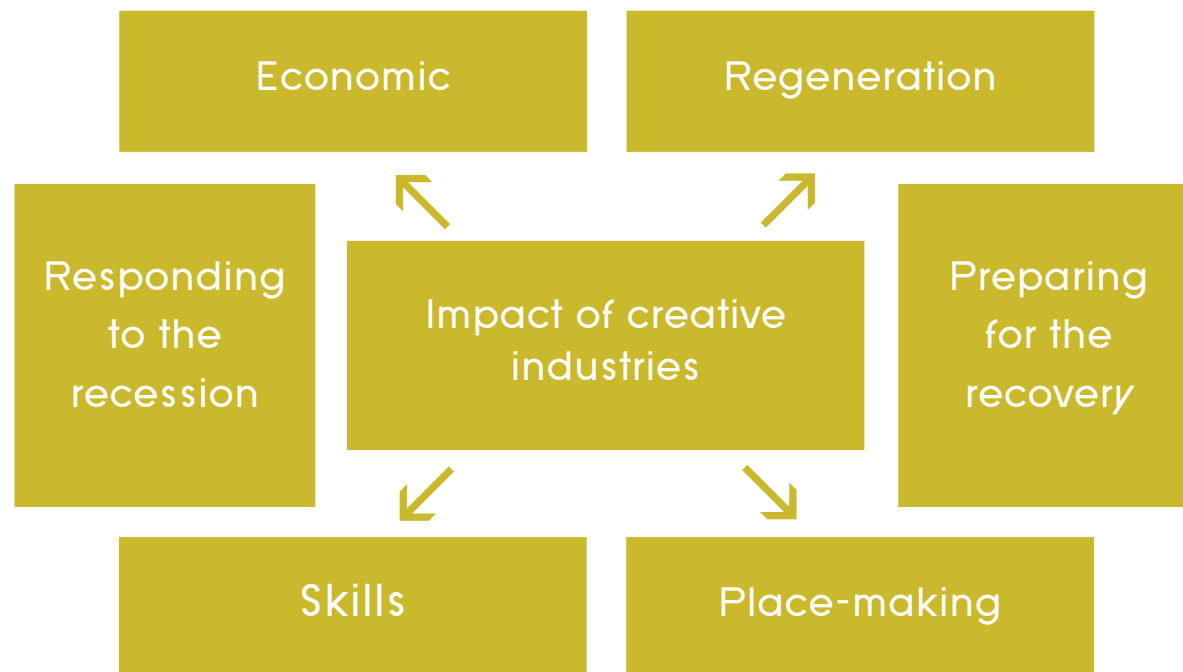
3.1. potential economic and social outcomes

Creative industries can contribute to generating jobs, innovation and productivity, as well as to enhance the quality of life in an area and stimulate new ideas and thinking within communities.

Benefits of investment in creative industries can include:

- **Productivity:** over the past decade the creative industries grew at an average of 4 per cent GVA per annum between 1997 and 2006, compared to 3 per cent across the economy as a whole.
- **Jobs:** creative employment grew at twice the national average, increasing on average by 2 per cent per annum between 1997 and 2007, compared to 1 per cent in the economy as a whole over this period². In local areas, investment in creative industry interventions such as festivals can create employment and generate income for the visitor economy³.

figure 2 potential impact of creative industries



2. DCMS (2009) Creative Industries Economic Estimates Statistical Bulletin

3. For example, evidence from the 'Summer Sundae' festival in Leicestershire suggests 14,613 festival-goers spent c.£580,000 excluding tickets and travel

- **Innovation:** innovation can create new markets, productivity growth, spillovers and improved efficiency, and creative industries are identified as an important source of innovation. Creative firms tend to be early adopters of innovation as well as stimulators of innovation in firms that they work with as partners and/or suppliers.
- **Regeneration:** creative industries have the potential to contribute to physical and social regeneration as well as community cohesion, although projects need to ensure that they are embedded in the local community.
- **Place-making:** creative industries can contribute to improved quality of life for residents and increased attractiveness of places for investment. Both cities (such as Manchester and Glasgow) and more rural areas (such as Cornwall) have benefited in this way.

These benefits are not guaranteed, however, and the precise impact of investment in creative industries will vary at a local level based on the characteristics of the local economy. This means that any decisions about investment in creative industries need to consider what the desired outcomes of investment are and to review whether the characteristics of the local area make this outcome likely to be achievable.

3.2. recession and recovery

The economic climate continues to change rapidly, with new evidence about the impact of the recession emerging regularly and much of the data lagging behind events. However, it is still possible to predict the impact of the recession on creative industries, which is likely to be:

- **Declining employment overall:** it is likely that employment in creative industries will fall by a minimum of 3-3.5 per cent⁴, although this will vary by sector.
- **Declining spending:** the importance of discretionary spending for creative industries is likely to mean that creative industries are affected by the decline in spending.
- **Contraction associated with shrinking of financial services:** research by the GLA suggests that, at least in London – which has the largest concentration of creative employment in the UK - creative industries are strongly linked to the performance of the financial and business sector⁵ and will be affected by the downturn.

Nonetheless, in the medium to longer-term, commentators such as NESTA suggest that creative industries will be an important source of innovation and employment. Creative industries also provide opportunities for local authorities to respond to challenges such as empty high streets, the need to engage young people in education and training and the need to invest in innovation in the longer term.

3.3. policy relevance

Before investing in creative industries, it is important for local authorities to consider how investment in creative industries might or might not help achieve local, sub regional, regional and national priorities.

Creative industries remain highly relevant to the policy agenda. They were identified in the Budget as an important sector for the recession and recovery and are supported by the Creative Economy programme, a £70.5 million cross-departmental programme of investment in the creative industries that aims to support local, regional and international growth building on creative Britain.

At a regional level, Regional Development Agencies (RDAs) have creative and cultural strategies which will feed into the developing Integrated Regional Strategies and they are important partners for local authorities. The South West RDA and North West RDA are working with Business Link to pilot Regional Beacons, improving business support for the creative industries in line with the Business Support Simplification Framework.

At a local level, assessment of creative industries will feed into the economic assessments being introduced by the Local Democracy, Economic Development and Construction bill. Any strategy to invest in the creative industries will also need to be consistent with the sustainable community strategy, multi and local area agreements.

A more detailed overview of government policies is available in the online resources.

4. Based on Work Foundation analysis of KLEMS database 1990-1992, using recreational and cultural services as defined by Standard Industrial Classifications

5. GLA (2007) 'London's Creative Sector: 2007 update'. London: GLA.

4 how do local authorities decide whether to invest?



Any business case for investment in creative industries needs to be developed on the basis that local authorities will be facing significant funding constraints in the coming months. It also needs to consider desired outcomes and the characteristics of the local area in a sub-regional and regional context.

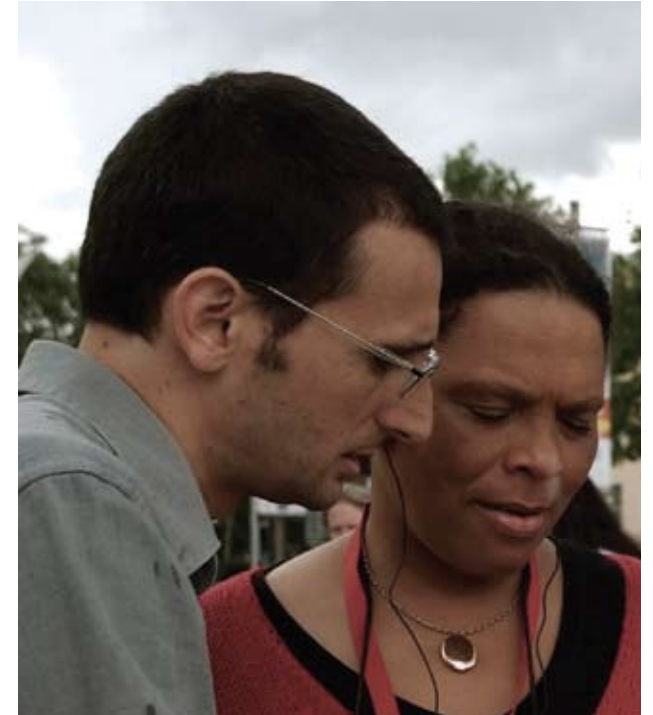
We have developed a checklist of questions for local authorities to work through in order to decide whether and how to invest in creative industries.

figure 3 checklist for investment in creative industries

1. Strategic context	→	How could investment in creative industries help the local authority achieve its purposes?
2. Local economy	→	How important are the creative industries to the local economy?
3. Sub-regional and regional economy	→	Are creative industries more important to the sub-region or region rather than local economy?
4. Desired outcomes	→	What are you trying to achieve by investing in creative industries and is this realistic?
5. Interventions	→	Which interventions will deliver desired outcomes, are in demand and are not supplied elsewhere?
6. Partners	→	What investment role should the local authority take compared to partners?
7. Costs	→	What funds are available and how can they best be invested in the creative industries?
8. Evaluation	→	What are the measures of success of the investment in the creative industries?



5 what are the different types of intervention?



When considering how to support creative industries at a local level, councils need to consider the multiple roles they can play.

First, local authorities have a significant impact upon creative industries through discharging their wider strategic responsibilities. Council roles that have an important impact upon creative industries in the local area include their roles as:

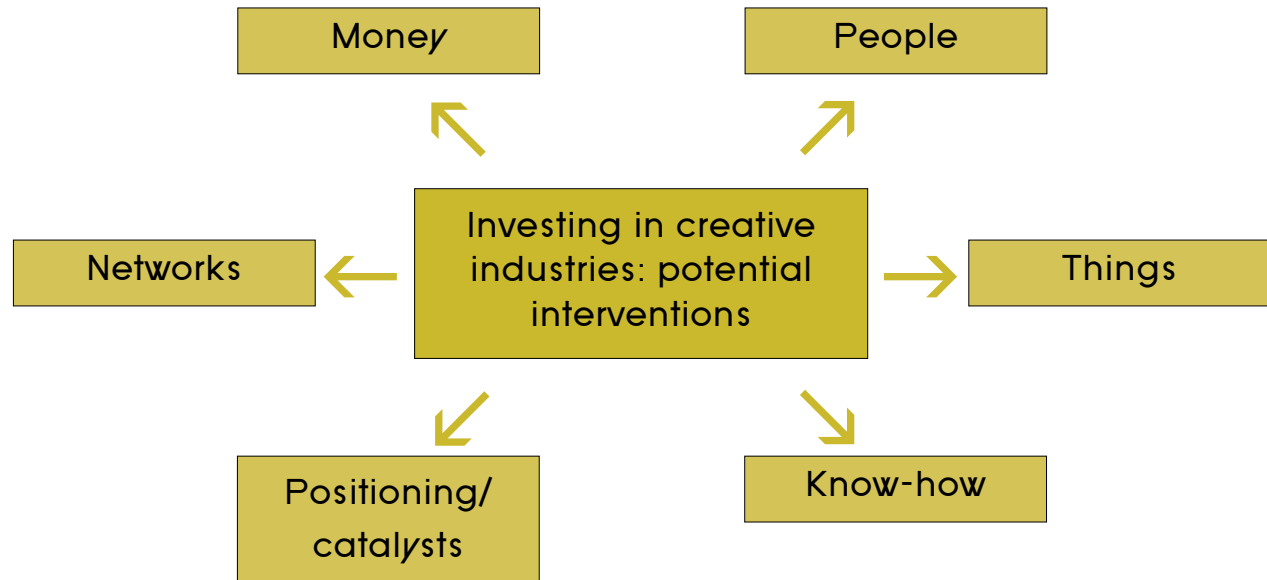
- planning authority;
- licensing authority;
- regulator;
- monitoring trading standards;
- health and safety of events;
- strategic and funding roles in relation to schools and further education;
- convener of partnerships, particularly with higher education and with sub-regional local authorities;
- direct deliverers eg through libraries;
- commissioning work.

This suggests that local authorities need to harness all areas of the council to provide effective support to the creative industries. It also suggests that, even if there are funding constraints on direct interventions listed below, local authorities can still consider how discharging their wider responsibilities can best enable creative industries to thrive.



Second, councils can invest in a more direct intervention that is tailored to the needs of creative industries. These direct investment options can be clustered under six main headings adapted from work by Orjan Solvell⁶ and are illustrated in the diagram below:

figure 4 potential interventions in creative industries



1. money (financial capital): eg funding, information about funding

Access to finance helps creative businesses develop and grow. This is particularly relevant during the current credit crunch but even during the boom, lack of commercial skills within the creative sector was identified as a barrier to accessing equity and debt finance.

2. people (human capital): eg skills programmes, enterprise support

Individuals with the appropriate skills and capacity for the organisation are essential for business development. There is a shortage of industry-specific skills in some creative industries, as well as knowledge about how to commercialise ideas and manage businesses.⁷

3. things (physical capital): eg creative workspace

It is important to provide appropriate premises in which creative businesses can work and network. The presence of physical infrastructure, where this responds to genuine business demand, can also have a significant impact upon a local area.⁸

4. know-how (intellectual capital): eg links with universities

Having access to new ideas can form the basis of comparative advantage for creative industries, so working closely with universities and other important sources of knowledge is useful.

5. global positioning/catalysts (market capital): eg festivals, events

Promoting a cluster of industries to help position them in the wider marketplace is important and helps generate intangible benefits for them (eg networks, contacts, profile) as well as having more tangible benefits for local areas (eg enhancing the visitor economy).

6. growth of networks (social capital): eg supporting networks

"Collaborative networks have long been key to the production process in creative industries."⁹ Supporting the co-ordination of these networks can enable these businesses to innovate more effectively and access new business opportunities.

More information on the advantages and disadvantages of these interventions is available online.



7. The Work Foundation. Staying ahead: the economic performance of the UK's creative industries

8. The Work Foundation. Staying ahead: the economic performance of the UK's creative industries

9. The Work Foundation. Staying ahead: the economic performance of the UK's creative industries: 144

6 lessons learned

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Lessons from the experience of other local authorities include:

strategies should play to local strengths

- The role of local authorities is to select the most appropriate interventions based on local context and local demand. Standard 'cookie-cutter' approaches (Oakely, 2004) which fail to respond to the specific characteristics of places and their people may at best fail to maximise the local activity and at worst stifle it. Size, history and economic competitiveness are all important considerations.
- When deciding whether to invest in creative industries, councils need to ensure that they consider the desired outcomes, whether these are feasible, and then what the best combination of interventions would be, considering both its own remit and that of partners.

interventions should be part of a holistic approach to creative industries

- Investment in creative industries should not be considered in isolation, but as aspects of a holistic approach aimed at developing creative industries. Most projects that local authorities have undertaken to invest in, for example, physical infrastructure, have been most successful when undertaken in conjunction with investment in networks or associated events. In addition, successful investment in creative industries requires local authorities to consider how their role as a planning authority, health and safety regulator etc. will impact upon creative businesses in their area.

working in partnership is vital

- Local authorities need to consider how they can best add value, and need to review how they can work in partnership with other organisations in this area. This includes working in partnership within the council, for example encouraging planners to work with those in economic development, as well as working in partnership with other organisations such as the Arts Council and Regional Development Agencies. It is also important to consider whether local authorities should invest in creative industries at a local, sub-regional or regional level.

appropriate measures of success should be selected

- Based on the evidence, it is important to ensure that interventions focus on realistic outcomes. Creative industry jobs and GVA are not necessarily the most appropriate outcomes to measure; for many local authorities, more realistic gains can be made in terms of increased visitor numbers, place-making or attractiveness to investment.

interventions need to respond to demand

- Interventions do not need to be costly: for example, they could take the form of a simple website or facilitating informal networking of creative individuals/businesses within a local area. However they all need to respond to demand. Many businesses commented that supply-led workspaces can lead to failure and be wasteful. Instead more consultation should take place at an earlier stage to ensure that interventions fulfil their potential to enable creative business growth.





I&DeA
improvement and development agency


Local Government Association


the work foundation

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