

# Creative Industries Policy & Evidence Centre

Led by **nesta**

## Three ways evidence should guide promises on the creative industries in the upcoming Spending Review

The creative industries - from film, to fashion, to creative digital - are now widely recognised as a thriving part of the UK economy, contributing [£111.7bn GVA](#) and employing 2.1 million people. However, the sector faces significant challenges, not only as a result of the Covid-19 pandemic but also issues relating to business size, skills and diversity

As the government is planning a Comprehensive Spending Review, it is essential that they think about how to promote recovery in this vital but vulnerable part of the economy. Here we offer three recommendations stemming from the Creative Industries Policy and Evidence Centre's (PEC) recent research.

As with the [briefing](#) we produced in the run up to the December 2019 general election, this briefing should not be read as a "manifesto for the creative industries" covering all areas where support is needed, but rather three specific areas where recent evidence strongly points to action that would help grow the sector.

### 1. Investment in Creative AI

In the 2019 Artificial Intelligence (AI) 'sector deal', not one of the grand challenges looked at how to combine cultural content with AI. This despite the opportunities at the nexus of the two, with the UK's renowned superb content and the emergence of new streaming platforms like Britbox, and the UK's world leading research strengths in key AI areas like image and sound data. [PEC research](#) confirms the UK's strengths in these research fields, but shows that the levels of AI research with direct applications to the industry are relatively low. This suggests there is an important market opportunity that public investment can exploit.

We recommend that the Government fund an AI and Creative Industries Centre, a £10 million five-year innovation centre that will provide:

1. **Training and skill development in AI for the creative industries:** The centre would provide training in AI that is directly focussed towards the needs of the creative industries.
2. **A gateway to research and development (R&D) in AI for the creative industries:** The centre would connect creative businesses and entrepreneurs with academic researchers in AI. If creative companies wanted to get input/advice from AI researchers on creative tool development, then the centre would be an entry point.

3. **Commercial development for AI creative start-ups:** The centre would perform an incubator/accelerator function for AI start-ups in the creative industries.

This centre would allow the UK to capitalise on its strong positions in the creative industries and in AI research (the latter, [PEC research](#) shows, is behind only the US and China). In addition it would help us to secure an early lead in a technology already having an impact across the creative industries with applications of recent breakthroughs in design, fashion, games, film, music, advertising and art. It would also reduce the risk of other countries rapidly increasing their AI activities and this then undermining the UK's position in the creative industries.

## 2. Devise a UK-wide investment programme to rebuild the creative industries.

[PEC research](#) has shown that following the global financial crisis in 2008 we saw an accelerated trend towards greater concentration of creative businesses in London. This should warn us against repeating mistakes in the aftermath of the COVID-19 crisis and should encourage the government to step in to protect progress that has been made recently in investing in creative clusters outside of London.

As attention turns to recovery from the crisis, it is essential that we build the creative industries back better. Prior to the COVID-19 pandemic the UK Government had identified 'levelling up' the economy as a policy priority. PEC research suggests - for the creative industries at least - that this priority should be even more important as the UK emerges from the crisis. This means that the government must make sure that all its regional interventions are accessible to the creative industries, including the [Towns Fund](#) and the Shared Prosperity Fund.

In terms of where specific opportunities for investment may be, the research suggests that smaller urban clusters, despite variation in their growth patterns, may be ripe to scale and as such could be targeted by additional support, particularly those growing prior to this recession. The research also finds that in recent years the most rapid growth has been seen in the creative digital and design sub-sectors (and that the growth of these sub-sectors are more widely dispersed than others, which means that there is high growth potential in many parts of the country).

## 3. Innovation-led recovery: a broader definition for R&D used in tax incentives

In the run up to the 2019 general election the [PEC](#) and [Nesta](#) recommended that the government should use a wider definition of R&D in its tax incentives. In July this year the Treasury announced a review of the R&D definitions. The COVID-19 crisis has caused havoc for some of the sub-sectors that make up the creative industries, so [investing in innovation is a priority](#). For this reason, it is now more important than ever to ensure that the definition of R&D used by the government supports the sector's recovery so that it retains its world-leading status in the post pandemic world.

One specific issue is that the [definition of R&D used by the HMRC](#) for the purpose of tax relief excludes the arts, humanities and social sciences, unlike some other OECD countries like Brazil, Czech Republic, Denmark, France, Italy and Korea (OECD Compendium of Information on R&D

Tax Incentives 2019). Consequently, R&D in the creative industries which is reliant on the arts, humanities and social sciences is not recognised and does not qualify for targeted R&D incentives. The [HM Treasury review of R&D definitions](#) should be extended to ensure that R&D definitions are not narrower than other competitors, and do not neglect R&D in the creative industries, which have been hard hit by COVID-19 and where the UK has international strengths.

By acting on the evidence and targeting policies, the Government has the opportunity to rebuild the creative industries in a way which is more innovative, more ambitious and fairer.

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