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| **Stage 1 Report - Creative Hub and Sector Support Study** |
| Draft Report to Bath & North East Somerset Council |

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Mickledore was commissioned by Bath & North East Somerset (B&NES) in November 2011 to undertake a Creative Hub and Sector Support Study to aid the council in identifying the best available options for the support of, and potential investment in, the growth of the creative and digital industries. This report forms the first stage of the exercise, highlighting the most valuable support mechanisms to stimulate growth in the sector.

In particular, this analysis will assess the potential value of a property-based solution to support the sector and so inform the decision to progress to subsequent phases of the commission which seek to advance the delivery of a dedicated workspace for the C&D sector.

The structure of this report is as follows:

* The first section sets out a definition for the creative and digital industries which will underpin the scope of the study.
* The second section provides a refreshed analysis of the creative and digital sector within B&NES to ensure a well-informed understanding of the dynamics of the industry when appraising the interventions in terms of local demand and expected impact
* The third section then reviews each of the interventions in turn, drawing on existing evidence of their general value from the literature, including the B&NES forecasts adopted in the Core Strategy. Their specific applicability to the C&D sector in Bath is then substantiated based on the findings in stage 1 and consultation with stakeholders. This will provide an assessment of the potential demand, the scope for delivery and the likely impact on growth.
* The fourth and final section will bring together the evidence to map the interventions using a matrix to illustrate the optimum approaches for support and investing in the creative and digital industries.

**Overview**

A clear understanding of the creative and digital sector is critical to this study as it is not possible to truly assess the value of the various support mechanisms available without underlining the very economic activities that comprise the creative and digital industries. To this end, a strict definition will be presented and justified based on a review of recent economic studies. A rationale for refining this broad-based understanding will then be set out to account for dynamics of the sector within the B&NES economy.

**What are the creative and digital industries?**

The concept of the creative and digital sector is a relatively new phenomenon which emerged in the 1990s to change perceptions of arts and cultural activity and broaden the view to encompass the economic value of creative activities. With this, the Department of Culture Media and Sport (DCMS) made its first attempt to systematically map and define the creative industries in 1998 and this definition has largely endured albeit with regular amendments to better reflect the evolving sectors. Ultimately, it sought to unify a number of commercial activities which could be considered as:

"… 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]](#footnote-1)

This analysis explored the available statistical data to provide a categorisation of 13 industry types which it regarded as directly adhering to the definition above which consisted of:

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| advertising | crafts | music |
| architecture | design | performing arts |
| art and antiques | designer fashion | publishing |
| computer games | film and video | software |
|  |  | TV and radio. |

Given the level of consensus over this definition among policy makers, academia and the industries themselves, the DCMS definition will be adopted for the purposes of this study, in particular for the sector analysis undertaken in the following section.

However, it is important to refine such an understanding in light of the contextual conditions of B&NES and the particular aims and objectives of this study. Specifically, consultation with the project team and wider stakeholders highlighted the variety of business activities which the DCMS definition encompasses and that it was likely to have implications when considering the optimum approaches for supporting the sector.

Importantly it was highlighted that the creative and digital industries are a continuum whereby at either pole the activities have little in common with each other. The example used to illustrate such a perspective is considering the work of ‘fine artists’ at the creative end of the continuum and ‘business database developers’ at the digital end. While these activities do not share many similar characteristics, such extremes are seen as being the minority, with the majority of activities occupying the central area of the continuum in which there are similar skills, abilities and experiences. Indeed these activities may stimulate further creative idea exchange between employees.

In light of these disparities and in order to apply further focus, the 13 industries which form the DCMS definition were plotted on a ‘Creative-Digital Continuum’ to reflect the relative emphasis of the main activities involved in each sub-sector as shown below:

 **Figure 1: Creative-Digital Continuum**



This mapping activity acknowledges that some activities can be considered as occupying a unique space as a purely creative pursuit or as a wholly technical function. While these extreme examples exist, it is also recognised that a series of sub-sectors included in the definition share similar characteristics in their combination of the creative and technical skills. Consequently, these can be considered as the “mainstream creative and digital activity” and will act as the focus when considering interventions in the sector. Accordingly it is possible to design and deliver interventions which are appropriate for the majority of creative and digital businesses given their overlap within the continuum and as such no explicit regard to sub-sector is generally required.

With this in mind, it should also be acknowledged that a number of tech-based initiatives have been delivered in the last few years. However it is no accident that many of these modern tech investments in locations such as San Francisco, Toronto, Berlin and Barcelona as well as closer to home in East London and Brighton have close links with creative industries. It is difficult to articulate in economic terms the linkages between the creative sector and digital / tech activities but it is likely that the creative sector can support idea generation, design, product innovation and greater lateral thinking.

**Overview**

An understanding of the scale and nature of the creative and digital sector in B&NES is vital to form an assessment of the value of the support mechanisms under consideration. Specifically, a broad appreciation of the dynamics within the industry will allow an informed judgement as to the likely demand and potential impact for each of the identified interventions.

In July 2009 GWE BusinessWest published a study of the Creative Industries in Bath & North East Somerset which offered a detailed analysis of the main economic indicators of employment, turnover and enterprises for the sector. As a result the Mickledore commission intends to:

* Provide an update of the findings to give the current position of the creative and digital economy and highlight any significant changes since the BusinessWest study.

* Secondly, the BusinessWest report used a relatively narrow definition of the Creative Industries which had been adopted by the South West England Regional Development Agency. This resulted in the absence of several sub-sectors associated with digital services which are included in the more widely-used DCMS definition. As already discussed the analysis presented below utilises the DCMS definition and so is intended to give a broader overview of the sector than that previously undertaken.

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| **A note of caution on the data**While the DCMS definition is possibly the most commonly used classification of the creative and digital sector, it still has significant limitations as a tool for analysis. In particular, the requirement to use very detailed Standard Industrial Classification (SIC) codes, often to five digits, exposes the data to potential inaccuracies since many of the statistics are based on ONS survey data using very small sample sizes. A further concern is the difficulty of capturing genuinely creative and digital activities using the business data available. Relatively new commercial activities which often characterise the sector often become misrepresented by the SIC codes with which they are classified. Given the observed limitations, any findings presented below will be subject to a number of caveats which will be highlighted as necessary.  |

**Employment**

The BusinessWest study identified an overall employee base of 4,200 in the creative industries in 2007, with the most significant sub-sectors identified as Architectural and Engineering with 1,800 employees and Publishing of Journals employing 1,000. Other relatively strong areas were Publication of Sound Recording, Advertising and Artistic Creation.

The position today, however, has shifted somewhat. This can be partially attributed to the changing economic conditions in the intervening period but possibly more fundamental is the application of the DCMS definition. Figure 1 below presents the latest data on employment by creative and digital sub-sector for B&NES in 2010, using the DCMS definition.

 **Figure 2: Employment by sub-sector for B&NES in 2010**

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 *Source: Business Register and Employment Survey (BRES), 2010*

Using employment data presented in Figure 2, the key sub-sectors for B&NES are:

* Software, Digital Entertainment and Electronic Publishing (1,400 jobs)
* Publishing (1,300 jobs)

With other sizeable industries comprising:

* Architecture (500 jobs)
* Music and the Visual and Performing Arts (450 jobs)
* Design (325 jobs)

This refreshed analysis highlights a number of important points and considerations which need to be emphasised when understanding the nature and scale of the sector:

* The overall size of the sector in terms of employees has remained broadly in line with the findings of the BusinessWest study (4,500 jobs or 5% of total workforce). However given the altered definition, the value in comparing total employees is marginal. Rather, Figure 2 below is a more accurate depiction of the vitality of the industry, presenting employment by sub-sector using the DCMS definition over the last three years.
* The DCMS definition itself was devised to more accurately capture the genuinely ‘creative elements’ of the economy, bolstered by the revised 2007 SIC codes which offered an improved representation of industrial activities in the UK. However, the significance of digital activities in Bath (now the largest sub-sector and which was absent in the BusinessWest study), should be treated with caution. Particularly because instances of high employment for Bath are located within the ‘Computer Consultancy Activities’ and ‘Business and Domestic Software Development’ SIC codes. As such, it is unclear as to whether the companies captured in this respect are undertaking genuinely aesthetic activities which are typical of the creative industries at large.
* Finally, the data presented below includes both employees and working proprietors which consist of sole-traders, sole proprietors and directors. This is an attempt to reflect the views of consultees that there is a large and active pool of freelancers operating in the sector. However, despite the inclusion of working proprietors it is acknowledged that the data may not fully incorporate the scope of freelance activity.

**Location Quotients**

The review of the creative and digital sector using employment data can be complemented by the use of Location Quotients. LQs are often used to illustrate a potential hotspot of differentiated advantage in a particular sector. In this case the proportion of employment in the creative and digital industries in B&NES is compared against what is anticipated using the data for Great Britain as a whole. For such an analysis, both Bristol and the South West are also included to give an added insight into how employment distribution in B&NES differs between a key comparator and the wider region.

As such, the following figure shows the latest distribution of employment by the key sub-sectors for B&NES, compared to the Bristol, South West and Great Britain average using the 2007 SIC profile. Scores of over 1.00 indicate a relatively strong representation locally in terms of the share of jobs nationally. Scores of over 2.00 indicate double the proportion of employees in B&NES work in the sector compared to Great Britain.

 **Figure 3: Location Quotients for B&NES, Bristol & the South West**

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| Sub-sector | B&NES | Bristol | South West |
| Advertising | 0.82 | 1.34 | 0.64 |
| Architecture | 2.41 | 1.33 | 0.90 |
| Arts and Antiques | 4.26 | 1.02 | 1.64 |
| Design | 3.04 | 1.35 | 1.15 |
| Video, Film and Photography | 0.75 | 1.91 | 0.84 |
| Music, Visual and the Performing Arts | 1.63 | 1.39 | 0.80 |
| Publishing | 3.11 | 0.86 | 0.59 |
| Software, Digital Entertainment & Electronic Publishing | 1.13 | 0.99 | 0.80 |
| Radio & TV | 0.28 | 0.97 | 0.32 |

The figure reaffirms the strength of the creative and digital sector in B&NES as initially outlined in the GWE Study. However, it is important to state that the use of the DCMS definition provides a refreshed insight into the respective sub-sectors. The key findings which can be drawn from the Location Quotients are as follows:

* The strongest sector for B&NES is Arts & Antiques. But this should be underplayed for the purposes of this study given that the SIC codes which form this sub-sector are comprised of retail functions and so this LQ reflects the high concentration of retail functions rather than the more creative activities that supplement the sector.
* Behind Arts & Antiques, B&NES shows clear comparative advantage in terms of ‘Architecture’, ‘Design’, ‘Musical, Visual and the Performing Arts’. ‘Publishing’ and ‘Software, Digital Entertainment & Electronic Publishing’ – all of which have larger LQs than the equivalent for Bristol and the South West.
* The sub-sectors where B&NES is weaker compared to both Bristol or the region are ‘Radio & TV’, ‘Video, Film and Photography’ and ‘Advertising’

**Employment Growth Trends**

Figure 4 shows the changes in employment which have occurred in the specific industries which form the overall creative and digital sector, using the DCMS definition. It is also to state that whilst these figures are from ONS they are based on samples rather than absolute numbers. The data appears to demonstrate that:

* ‘Arts & Antiques’, ‘Design’ and ‘Software, Digital Entertainment & Electronic Publishing’ are the only sub-sectors which have experienced increases in employment since 2008.
* The majority of other sub-sectors have suffered only minor falls in employment, apart from Music and the Visual and Performing Arts which in 2010 saw a sizeable fall in job numbers. However, such a finding could be attributed to idiosyncrasies in data collection rather than the overall health of the industry.

 **Figure 4: Employment trends by sub-sector between 2008 and 2010**



 *Source: Business Register and Employment Survey (BRES), 2010*

**Self-Employment**

In terms of the levels of self-employment, there is limited value in offering a comparison with the BusinessWest study due to the revised definition of the industries and the emergence of a new approach for calculation based on BRES data. Specifically BRES provides a distinction between “total employees” and “total employment” in which the latter includes those individuals recorded as sole traders, self-employed, partners and working owners in B&NES. This cohort can be isolated by calculating the difference between the two datasets and demonstrates the following:

 **Figure 5: Percentage of workforce which is self-employed by sub-sector for B&NES in 2010**

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 *Source: Business Register and Employment Survey (BRES), 2010*

The figure above shows a relatively high level of self-employment across the various sub-sectors. The notable cases are ‘Music and the Visual & Performing Arts’ with almost half of all employees recorded as sole traders as well ‘Radio and TV’ and ‘Video, Film and Photography’.

The other prominent observation is the very small figure attributed to ‘Publishing’. There may be a number of reasons for such a finding including the fact that much of the employee base for the city is attributed to staff working at Future plc. It is understood that the company uses a large pool of freelancers and it is likely these are not picked up in the data due to the nature of the freelancers who may not perceive themselves as working strictly in traditional publishing.

**Numbers and size of businesses**

The BusinessWest study provided a detailed account of employing units, identifying over 700 registered creative businesses in B&NES, making the creative sector the fifth largest in Bath.[[2]](#footnote-2) However, when employing the DCMS definition for latest available data (2008), the overall stock of businesses increases to over 1,000. While such a departure may be the result of growth in certain sub-sectors, the overwhelming reason for the disparity is the inclusion of a number of other activities which were absent in the 2007 study. In particular, 2008 data suggests that there were 280 businesses operating in software consultancy and supply.

This makes any useful comparison very limited. As such, it is more useful to appreciate the relative size of businesses across the sub-sectors. Published data on sizes of enterprise is only available on the former Annual Business Survey which means 2003 SIC codes rather than 2007 codes were utilised for employee numbers. However, the DCMS definition has still been used in this instance.

**Figure 6: Size of business using percentage of total for key sub-sectors**

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*Source: Annual Business Inquiry (ABI), 2008*

The figure above shows that across all sub-sectors the majority of companies are at the micro level, which is broadly in line with the overall business base. In industries such as publishing, architecture and advertising, there is a higher percentage of medium-size and larger firms which may have implications in regard to the suitability of support interventions. One key omission from the figure is the inability to distinguish the proportion of self-employed individuals from the 1-4 employee cohort.

**Gross Value Added**

In order to understand the relative value of the sub-sectors which form the creative and digital industries, Gross Value Added (GVA[[3]](#footnote-3)) is the most useful indicator to use. However, GVA data at the required industry level cannot be obtained for the locality or even the region so the figures set out in the table below are based on national figures.

 **Figure 7: GVA figures for creative and digital sector in the UK, 2009**

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*Source: Creative Industries Economic Estimates 2011, DCMS*

The main finding to draw from the figures is that higher levels of value added are generally derived from the established sub-sectors which also generate large levels of employment nationally. For example, TV & Radio, Publishing and Musical & Visual and Performing Arts all have relatively high GVA per head figures which may be a reflection of the maturity of the industries within the UK.

However, given that there is only national data available at this level, it is difficult to draw many accurate conclusions for the sector in B&NES. Rather, it gives a general impression as to those industries which are characterised by high value employment.

**Conclusion**

The creative and digital sector in Bath continues to be a significant industry for the local economy. This is affirmed in the Location Quotient analysis which highlighted that B&NES demonstrated higher employment in many sub-sectors, compared to both Bristol and the South West. In terms of the more detail findings, the following are key:

* The digital sub-sector, as captured through the ‘Software, Digital Entertainment and Electronic Publishing’ DCMS category, has emerged as the largest employer, and has experienced sizeable growth in the last three years. It also characterised by a higher LQ than that of Bristol and the South West.
* Publishing continues to be a large employer but has witnessed marginal falls in its employee base since 2008. However it still retains the largest LQ of all the sub-sectors of B&NES which highlights that it remains a key sector.
* Other significant sectors in terms of employment are ‘Design’, ‘Architecture’ and ‘Music, Visual and the Performing Arts’. In particular, employment in the ‘Design’ sub-sector has grown quite steadily from 200 employees in 2008 to 330 in 2010. It also has a very strong LQ compared to the Bristol and the South West.
* The sector is characterised by high levels of self-employment and micro-businesses of 1 – 4 employees, this is particularly true of ‘Music & the Visual and Performing Arts’, ‘Video, Film and Photography’ and ‘Software, Digital Entertainment and Digital Publishing’. Publishing and Architecture are more likely to be formed of larger enterprises.

The following section will use this understanding of the creative and digital sector to aid the review into the various interventions which can be utilised to grow the industry. Each support mechanism is considered individually, referencing best practice and identifying its potential impact for B&NES.

**Overview**

This section reviews the support mechanisms which are broadly recognised as relevant to the growth of the creative and digital industries. Seven forms of intervention are considered, with the nature of the support, the availability of provision in B&NES and the indicative level of investment required and subsequent impact identified for each. However, further information regarding the support initiatives can be found in Appendix 1 in which particular examples of best practice are highlighted.

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| Intervention 1: Financial Support |
| NATURE OF SUPPORTThe overall objective of financial support is typically to incentivise a company to undertake an activity that it would not otherwise carry out but where it is considered desirable to generate additional economic benefits. In regard to its application for the creative and digital sector, finance can be delivered through a grant support facility to encourage spend on creative and digital services. An example is a recent pilot by NESTA in the Manchester City Region in which the Creative Credits programme encouraged applications from local creative firms to become eligible providers to the scheme. SMEs from any sector could then register for credits to pay for creative services from any of the listed creative firms. Another example is the work of regional screen agencies who offered grants to production companies involved in television, film and other media to bring their operations to the region for specific projects.  |
| PROVISION IN B&NESThere is limited provision in B&NES with regard to financial support programmes for the creative and digital industries. The Creative Credits programme piloted by NESTA has yet to be rolled out nationally. Furthermore, the restructuring of the screen agencies into a national organisation – Creative England, means that South West Screen is no longer offering regional-based grant funding for production activities.  |
| INVESTMENT AND IMPACTRevenue costs associated with financial support are typically high given that finance is offered directly. The Creative Credits Pilot required £600,000 of funding which was then offered to 150 SMEs which equated to a maximum grant of £4,000 each. However, the long-term evidence of the impact of such interventions has yet to be fully understood. Furthermore, it should be noted that the primary objective of such a scheme is to drive SME growth more widely by encouraging innovation. While creative businesses were shown to receive some benefits through the commercial partnerships which were forged through the scheme, the overall impact is likely to be marginal in comparison to other interventions which place creative and digital as the principal beneficiary. Considering the impact of grant support more generally, a BIS evaluation of the Selective Finance for Investment in England (SFIE) scheme reported a cost-per-job created or safeguarded of £5,058 for this form of financial support. This is one of the most economic returns of all support interventions considered. However, this was not sector-specific and so it is unlikely that a more tailored programme could offer a similar level of value-for-money.  |
| CONCLUSIONBusiness start-ups and entrepreneurialism are not particularly weak within B&NES. Whilst direct funding may drive greater growth levels, this would be expensive and is not seen as a priority. There are other initiatives which could drive sector growth for a lower financial cost. |

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| Intervention 2: Skills Development |
| NATURE OF SUPPORTThe objective for supporting the development of new and better skills is to ultimately increase the levels of employability and productivity within the workforce which will in turn raise GVA and employment. A renewed emphasis on skills has emerged due to the growth of knowledge-driven industries. In particular, creative and digital businesses depend on a highly skilled and flexible labour force which demands that individuals are equipped with the appropriate skills and abilities to perform. |
| PROVISION IN B&NESAt the national level, the relevant sector skills council - Creative and Cultural Skills (CCS) has put together the Creative Blueprint. This advocates the delivery of a number of key programmes including:* Creative Apprenticeships: allowing people to work in industries such as music, theatre and community arts to learn on the job and gain valuable skills
* The Cultural Leadership Programme: provides a range of opportunities, from intensive courses to networking events and placements for existing and developing leaders
* Creative Choices: Provides an online service with information on training, jobs and skills, along with case studies of people already working in the cultural and creative industries

In essence, residents in B&NES would have access to these programmes however given the infancy of the initiative it is unclear as to the scale and scope of the provision.At the local level, there is provision emanating from further and higher education institutions in the city. The City of Bath College offers a number of courses spanning media, ICT, art and design. Similarly both the University of Bath and Bath Spa University are producing graduates equipped with technical skills relevant to most areas of the creative and digital sector. However, it was reported in consultation that students could benefit from more focused provision on enterprise and business skills. There also appeared to be only limited instances where FE and HE were engaging directly with the local business base to offer Continuing Professional Development (CPD) type courses to the sector.  |
| INVESTMENT AND IMPACTGiven the broad nature of the intervention area, the level of investment depends closely on the type of support which is being offered. When considering a comparator scheme such as the DigiLearn Project detailed in the Appendix, it highlights that approximately £4m was required to enable a university partner (in this case Liverpool John Moores University) to provide CPD and other training to local creative and digital businesses. With 850 individuals engaged as part of the course, this equates to almost £5,000 per person assisted. In terms of impact of such provision, the PWC evaluation of the impact of RDAs assessed a number of skills development activities and found that the cost per job created or safeguarded was over £100,000 which made it one of the most expensive forms of support.  |
| CONCLUSIONGeneral skills interventions are extremely expensive if they are aimed at driving wide scale skills development for the workforce to provide newly skilled people for a specific sector. Tailored skills development, however, such as the provision of enterprise and business skills to creative and digital micro businesses; start-ups; freelancers; and students could be highly effective.  |

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| Intervention 3: R&D, Innovation and Knowledge Exchange  |
| NATURE OF SUPPORTThe growth of ‘knowledge-intensive industries’ in the UK i.e. those sectors which invest highly in R&D and depend on high skills and intensive use of technology, has heightened the belief among policy makers that increasing innovation capacity, R&D activities and knowledge sharing among the local business base is key to local economic growth. However, a significant amount of work has been undertaken by NESTA to underscore the relatively high level of innovative activity which exists in the creative and digital industry. Thus the design and delivery of a support scheme in this area needs to ensure additionality to the innovative practices which already take place in the sector. |
| PROVISION IN B&NESOrganisations such as the Technology Strategy Board are providing support at the national level through programmes such as Knowledge Transfer Partnerships and Grants for R&D and these are schemes for which businesses in B&NES would be eligible. However, these are competitive schemes with no focus on the creative and digital sector.With regard to locally-based support, the key organisations are the higher education institutions which are becoming more outward facing and offering up their knowledge base and facilities. The example of current provision in B&NES is the Centre for Digital Entertainment (CDE) at the University of Bath which is funding doctoral researchers in companies, offering a collaborative training programme and providing companies access to product and technology development. Initiatives such as this can be hugely valuable to small and micro businesses in the sector. |
| INVESTMENT AND IMPACTThe CDE has been awarded £6.3 million initial funding from the ESPRC for 50 people working in animation, visualisation and graphics across both the University of Bath and Bournemouth University. More widely the PWC Evaluation of the RDAs analysed a number of programmes that focused on R&D innovation and capacity and found an average cost of £24,640 per company assisted with this form of support. While a relatively expensive form of support compared to more ‘light-touch’ interventions such as access to networks and partnerships, the evaluation did find a favourable level of economic impact. Specifically it was identified that £8.3 of additional GVA was generated for every £1 invested in R&D and innovation schemes. As such, it was one of the most effective in securing increases in company productivity.  |
| CONCLUSIONThis is an area of support which can generate growth within companies; is an area in which B&NES could increase activity given the university and college presence; and may not involve any direct cost. There is an opportunity therefore to seek additional ways in which HE/FE can collaborate with the sector in line with the CDE model. |

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| Intervention 4: Start-up and Enterprise  |
| NATURE OF SUPPORTStart-up and entrepreneurship support has received significant attention by the Coalition Government. It is currently regarded as one of the most valued interventions for stimulating growth in light of the recession and has manifested itself in initiatives like Start-up Britain which consists of a private-sector led offer to encourage new enterprises through preferential terms as well as entrepreneurial education projects undertaken in schools, colleges and universities. Furthermore, given the preferential conditions for entrepreneurial activities within the creative and digital sector, many generic start-up support programmes have offered this as a particular focus. An example is the recently announced Entrepreneur First mentoring scheme which has prioritised its support to new tech ventures. |
| PROVISION IN B&NESGraduate entrepreneurship initiatives with specific regard to the creative and digital industries are in place at both universities. Bath Spa’s Artswork signalled a major investment in facilities, resources and further professional expertise for the continued development of students as creative professionals with a focus on enterprise. Another example is the Bath Entrepreneurship Programme – a one-week intensive personal development course for new and experienced entrepreneurs to prepare their business plan, delivered by the University of Bath’s Innovation Centre. Another area of provision which focuses particularly on start-ups is the iNets South West programme which is delivered regionally and funded by £13 million of funding from the European Regional Development Fund (ERDF), South West RDA and partner investments. The Creative Industries iNet is available to Bath firms and actively supports businesses that face challenges inherent to the sector such as horizon-scanning, product development, non-exec mentoring and investment readiness. |
| INVESTMENT AND IMPACTThe level of investment again is linked to the nature of the support scheme. A point of reference for revenue costs for start-up support would be the Bath Entrepreneurship Programme, at a cost of £1,500 per participant, yet this may already be subsidised by the university to some extent. In regard to the impact of start-up support for the creative industries, there are limited quantitative findings of the economic benefits but anecdotal evidence is largely positive. The case in point is the East London Tech City which is often used as an exemplar of a successful creative and digital hub which has been sparked by significant start-up activity. The area, often coined “Silicon Roundabout” has seen a dramatic increase in digital business in just the last few years which in turn is regenerating the area of London around Old Street.  |
| CONCLUSIONLinked to the conclusion for skills development, greater access to development opportunities for enterprise and business skills would be a highly worthwhile and cost effective intervention. The mechanisms appear to be in place and it may be a matter of greater engagement by the sector or extensions to existing schemes. |

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| Intervention 5: General Business Support  |
| NATURE OF SUPPORTGeneral business support encompasses a host of activities ranging from mentoring to access to finance and legal advice and there is a long history of the public sector providing services to businesses in order to drive economic growth. Business support and finance continues to be accessed through the financial and professional services community. However, SMEs can experience difficulties in accessing this support and overall, interaction between businesses in the creative and digital sector and the financial and professional business support services can be complicated by lack of understanding from both sides. The areas where support is most important in regard to the creative and digital sectors is access to finance, mentoring and intellectual property (IP) advice.  |
| PROVISION IN B&NESCreative and digital business in B&NES are able to access national business support products which have been subject to a rationalisation process led by the Department for Business Innovation and Skills (BIS). Following a second round of streamlining this year, BIS now proposes that business support undertaken by the public sector is limited to the provision of 13 products which are most relevant, but not limited to SMEs and are generally accessed online. However, these products are generally not sector specific and it is the availability of tailored support around key issues for the creative industries which is where there is limited provision in B&NES. In particular, there appeared to be no support services based on the key areas of access to finance and IP advice.  |
| INVESTMENT AND IMPACTThe revenue costs associated with a business support programme will depend on the specific area of intervention. The costs can be kept relatively low when referring to an example programme delivered by the University of Edinburgh which offered an online course to help practitioners in the creative industries understand the basics of intellectual property law at £85 per individual. More intensive forms of support are likely to require greater levels of investment. A key point of reference for the expected impact of a tailored business support programme to the creative and digital sector is a recent NESTA pilot of a Creative Business Mentoring Network to identify if mentoring by industry ‘gurus’ could make a difference to business performance. An evaluation of the programme found that it delivered a return on investment of £1.49 net additional GVA for every £1 invested..  |
| CONCLUSIONA barrier to the provision of high quality advice to SMEs is the cost of a one on one service. This is an area where critical mass of similar businesses can share costs and gain service provision. Much of this type of work is already undertaken by the sector support groups. It is an effective method of driving growth in the sector. |

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| Intervention 6: Networks and Idea Exchange  |
| NATURE OF SUPPORTThere are a large number of national, regional and local networks ranging from large lobbying organisations like the CBI to smaller industry networks. It is anticipated that networks are particularly valuable to the creative and digital sector due to the ability for firms to collaborate, change direction, operate flexibly and grow rapidly. |
| PROVISION IN B&NESAs the creative and digital sector in Bath is made up of a high proportion of micro-businesses and freelancers, networking organisations such as Creative Bath and BathSPARK facilitate linkages within the C&D sector and also enable it to speak with ‘one voice’. Networks are a key tool in extending the effectiveness of clusters and enabling wider partnerships with other organisations, as is currently being undertaken with organisations such as the West of England Design Forum and Bristol Media.However, the importance of access to professional services by the creative and digital could be facilitated through stronger linkages between other relevant organisations, especially the financial and professional services. There is an opportunity for Creative Bath and BathSPARK to facilitate closer relationships with the University of Bath and Bath Spa to benefit local businesses. It is encouraging that there have been instances of partnership working, with Creative Bath and BathSPARK recently organising a networking freelancer fair which matched up skills of freelancer with the requirements of businesses. This type of event would be more difficult to facilitate without a cluster organisation to interact with businesses and the University. A further impact of networks is the ability to bring together multiple participants for training or the provision of professional advice. This activity can reduce the cost of the service provision for SMEs below the cost of one on one provision which often makes the cost prohibitive for micro and small businesses. |
| INVESTMENT AND IMPACTThe PWC Evaluation of the RDAs found that network activity was particularly effective as a business support measure. In particular, its analysis of a number of networking programmes highlighted that the cost per net business assisted with this support was £3,901. In regard to impact, the report found attributed a cost of £12,131 for each job created or safeguard through networks and partnerships. Overall it was shown that for £8.7 net additional GVA was generated for every £1 invested which was the most significant of all the support interventions considered as part of the evaluation.  |
| CONCLUSIONThe positive impact of Creative Bath and BathSPARK as the sector organisations is recognised. These organisations are the ideal vehicle for taking forward wider interventions for the sector in areas such as skills development; university collaboration initiatives; and business support. |

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| Intervention 7: Digital Connectivity  |
| NATURE OF SUPPORTThe digital connectivity of a locality is critical to economic growth, particularly to enable the development of creative and digital industries. Next Generation Access (NGA) has already been rolled out in a number of localities as a business support tool and recent examples include Gateshead, South Yorkshire, Dundee and Salford (Media City UK).  |
| PROVISION IN B&NESThe Government has made an allocation of £530m to bring superfast broadband to the remaining third of UK homes and businesses that would otherwise miss out. To access the funding county councils or local enterprise partnerships will lead broadband roll-out in their area and will need to develop an effective delivery plan, and match the Government’s investment with European, their own or private funds. This initiative is currently being taken forward by B&NES.  |
| INVESTMENT AND IMPACTIn terms of impact, an evaluation of the of the Digital Region Yorkshire super broadband investment estimated that out of a public investment totalling £93.8m, their central impact estimate of £85.8m net additional GVA is a return on investment of £0.91 for the South Yorkshire economy for every £1 spent. However, the report highlighted that a number of different factors can affect the impact and subsequent return on investment and so included a number of different scenarios under which the central estimate of £85.8m in net impact could be raised to achieve break even, mid-level and strong returns on investment. |
| CONCLUSIONThe creative and digital sector in B&NES is often reliant on digital technologies. Access to high capacity broadband is a pre-requisite for retaining strengths in the sector rather than an intervention for consideration. |

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| Intervention 8: Property  |
| NATURE OF SUPPORTThe objective of public sector support for land and property projects has been to respond to market failures concerning the commercial feasibility of development. In most cases, intervention occurs where there is a wider socio-economic imperative to overcome such obstacles and deliver a capital project. It is paramount to recognise that the role of property for the creative and digital sector is more than merely the supply of workspace. This is a sentiment recorded widely in academic literature, policy documentation and through the consultation undertaken as part of this study. Rather, the availability of premises is valued by the industry in terms of its ability to act as a location for the wide variety of activities which have been considered in this report; namely formal networking, knowledge transfer, skills development, technology demonstration and social interaction. Providing a credible space for creative and digital industries to work is necessary but not sufficient and it is in this sense the intervention is appraised in its ability to provide a physical infrastructure that is conducive to the myriad number of activities that are central to the growth of the sector |
| PROVISION IN B&NESIt is acknowledged at the outset of this study and echoed by the majority of consultees to date, the availability of suitable and affordable workspace in the city is limited. This is also evident through the following observations:* The largest creative employer in Bath, Future Publishing plc has problems finding space for the large number of freelancers it employs on a contractual basis. Many hot-desk at Future’s offices which is reported as a convenient if not ideal arrangement due the constraints on their current facilities
* Local design agency Radio also rents out space to other firms within its premises – The Dispensary. Such an arrangement is regarded as an entrepreneurial response to the demand for high quality studio space and as a way to capitalise on the opportunities of co-location of like-minded firms
* Bath Ventures Innovation Centre is looking to expand given the popularity of its workspace. Although it attracts tenants from a variety of sectors, there is a high proportion of digital firms

All of these factors suggest that demand is outstripping supply in terms of appropriate workspace in Bath. With this, it is apparent that many creative and digital businesses are having to continue operations within sub-optimal workspace which is likely to constrain their growth in the long-term. It is this ‘pent-up’ demand for a dedicated property offer which has triggered the development of a number of creative hubs, both in the UK and abroad. |
| INVESTMENT AND IMPACTThe level of investment required is explored further as part of this study. In terms of the impact that can result from providing support for the development of property, the PWC Evaluation found that interventions undertaken by the RDAs regarding land, premises and infrastructure would equate to £42,400 per job created or safeguarded and would return £6.5 in net additional GVA for every £1 invested.The impact of property should not only be measured in terms of accommodation for the sector, however, the impact of property from a profile perspective is important and can act as the focal point for the other interventions considered in this report. |
| CONCLUSIONThe structure of the sector with multiple small businesses, limits the confidence of the property development industry to provide suitable business space. This is an important market failure which can be addressed. An intervention in the provision of workspace can be the vehicle to driving many of the other important interventions. |

The creative and digitalsector is increasingly recognised as an important driver of the UK economy. DCMS estimate that the digital and creative industries contributed 5.6% of the UK’s economic output in 2008 and that this proportion is expected to increase in the years ahead.

Bath is well positioned to benefit from the growing importance of the sector. A 2008 report by GWE Business West heralded Bath as the most creative economy in the South West and this study under-represented the entirety of the sector by excluding many digital activities.

This report has re-assessed the importance of the sector and sought to understand the sub-sectors within digital and creative. The finding is that the category ‘software, digital entertainment and electronic publishing’ is now the most important digital and creative area in terms of employment, followed by publishing. Across the creative and digital industries in B&NES there are 4,200 employees and these people are predominantly employed by micro businesses or operate as single person enterprises / freelancers.

**Interventions to support the sector**

We have considered a large number of potential interventions concerning sector support and whilst each have their own merits, we have prioritised according to the need for public sector intervention and whether the service is provided by an alternative provider and is therefore not likely to require further intervention by B&NES and partners. We have considered these interventions in terms of short and longer term impact on the sector which helps identify those elements of urgency although each should be considered important as shown in the figure below:

**Figure 8: Matrix of support measures for B&NES**

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**Workspace**

The initial consultation exercise and wider literature stresses the importance of workspace for the creative and digital sector and how the lack of affordable and flexible space in B&NES in particular could potential hold back the growth of the sector. Furthermore, it is acknowledged that the particular demand-side and supply-side factors that characterise the property market in Bath with regard to the creative and digital industries means that it is very unlikely that the situation will improve without some form of local intervention. This is compounded by the threat of ever increasing provision of space in Bristol which is often regarded as being in direct competition with the offer from Bath.

Specifically, a combination of limited turnover in the office market alongside an oversupply of workspace in Georgian town houses means there is a limited offer of the type of space creative and digital firms would typically occupy. This is then compounded by the fact despite the healthy demand within the sector, the size and formative status of most firms means there it cannot bring the necessary covenant or risk profile to stimulate developer activity to bring forward sites offering suitable workspace with flexible terms and reasonable rents. Yet despite this outlook, there is a significant level of development interest in the city from organisations with a track record of delivering successful workspaces for the creative industries. In this sense, assistance is required to ensure sites are brought forward.

It is these circumstances which mean the provision of workspace is likely to generate the greatest impact both short-term and long-term and as such should be regarded as the most valuable form of intervention. In the short-term, it can be regarded as helping meet the immediate needs of creative and digital businesses which relieves pressure in instances such as where freelance staff are forced to work within client offices or where sole traders are working from home despite requiring a formal residence to support growth. Through offering short-term provision in this regard it also diminishes the competing offer from Bristol.

However, the importance of local intervention in the short-term is in part to ensure that long-term impacts are secured. Specifically, given the relatively high risk profiles faced by developers in delivering a hub model, a proof of concept which has certainty of delivery will bring added confidence to the market which will support further provision at the scale that would allow businesses to grow within a hub development. The value of workspace in the long-term is that it can genuinely support the offer of complimentary support services which are vital to the continued growth of the sector; specifically it can act as the focal point for the effective delivery of activities to boost networking, start-up and commercialisation, skills as well as enhance the wider profile of the industry.

The ability for a hub to support such complementary support activity is shown in the figure overleaf:

**Figure 9: Long-term objective of the hub model**



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| **Stage 1 Report - Creative Hub and Sector Support Study** |
| Appendix |

**Overview of the Intervention**

Interventions associated with financial support take a variety of forms depending on their specific application. However the overall objective is typically to incentivise a company to undertake an activity that it would not otherwise carry out but where it is considered desirable to generate additional economic benefits.

The B&NES Smart Growth Study highlighted the constraints around offering financial support and tax incentives due to State Aid and other relevant EC legislation, given that B&NES is in a non-assisted area. Yet despite such obstacles, grant support has been demonstrated as an effective tool for incentivising companies to make a particular type of investment and address key weaknesses in a regional economy. Alternatively wider subsidy schemes have been operated on a regional level to attract desirable commercial activities to a designated area.

**Applicability to the Creative and Digital Sector**

When considering the C&D sector, general subsidy schemes can be discounted due to their inability to focus on specific industries. Instead our attention is directed to grant support approaches which are can be targeted at the C&D sector. This can be evidenced from activity undertaken elsewhere in the UK as shown in the two case studies below. Both examples are concerned with offering financial support for creative activities but operate quite distinct models:

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| **Creative Credits – NESTA Pilot Project**Between September 2009 and 2010, NESTA ran a £600,000 pilot scheme in the Manchester City Region which operated as a business-to-business (B2B) voucher mechanism designed to encourage small and medium-sized enterprises (SMEs)[[4]](#footnote-4) to work innovatively with creative companies. The Creative Credits project enabled businesses to access credits worth £4,000, which they had to match with at least £1,000, to spend with creative firms on a variety of services. The rationale for the scheme was to address a systemic failure of limited collaboration and innovation in the SME base which had been attributed to the risk-averse nature of small businesses. The credits were designed to encourage SMEs to collaborate with creative firms based on evidence that such a practice can aid innovation. It is also intended to support creative firms by presenting new business opportunities. In all, a total of 672 SMEs made eligible applications for the scheme and 150 credits were distributed using a lottery allocation. Accordingly, a total of 328 applications were made by creative businesses to appear on the Creative Gallery – the online platform which managed the collaboration. The majority of activities funded by the credit scheme were focused on website development, as well as marketing and video production. It is important to note that the primary beneficiary in this scheme was the wider SME base of the city region, although a number of discrete benefits for the creative partners were observed; in particular the scheme offered C&D businesses with:* Opportunity to market their creative services to a new set of potential clients
* New experience within other industries on low-risk projects
* Short-term financial gains through multiple contracts
* Boost to growth: smaller companies report that the scheme has brought them into direct competition with bigger agencies
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| **North West Regional Attraction Fund**Several regions within the UK have operated successful ‘Screen Funding’ initiatives but this case study will focus on the initiative delivered by North West Regional Attraction Fund (RAF). This fund was delivered by North West Vision and Media, in partnership with the NWDA to attract high-growth independent television producers and to support indigenous production companies in the region.Grants of between £5,000 and £50,000 were provided to eligible companies from the TV, film, games, interactive and digital content sectors through three different strands of support: * Company Development provided grants of up to £50,000 for high-growth companies looking to develop infrastructure and access new markets
* The Product Development scheme offered recoupable grants for development of both linear and digital interactive content including TV, games, electronic publishing, e-learning, mobile content and web-based applications. Funding was backed up by advice and monitoring
* The Production Investment scheme was aimed at companies seeking support of between £50,000 and £150,000 for the production of feature films, major broadcast projects and computer games production with a maximum investment through the Fund of up to 50% of total development costs

Since April 2007, the fund invested over £500,000 through the RAF which contributed £12.9m in Gross Value Added to the Northwest economy by investing in 131 SMEs and creating 147 jobs. Major beneficiaries included TV production companies Baby Cow, Channel K and Nine Lives, digital firm stardotstar and animation producer Firestep. |

**Value to B&NES**

The case studies above highlight ways of developing specific financial support to the creative industries. While it is acknowledged that there may be further examples of delivering grant support, these were identified as the most established. The potential value of running an equivalent programme in Bath will be considered in turn.

*Voucher Scheme*

There are a number of elements of the voucher scheme which suggest that it could be an effective approach for Bath. Firstly, an evaluation of the NESTA pilot highlighted that the majority of creative credits were spent on web site development. Given the prevalence of tech companies in Bath, such a scheme could increase the number of local business opportunities for digital businesses. Secondly, the pilot was delivered with relatively low operational costs due to the use of a virtual platform to arrange collaborations.

However, the primary objective of such a scheme is to drive SME growth more widely by encouraging innovation. While creative businesses were shown to receive some benefits through the commercial partnerships which were forged through the scheme, the overall impact is likely to be marginal in comparison to other interventions which place C&D as the principal beneficiary.

*Screen Funding*

The delivery of a specific industry funding tool such as Screen Funding can deliver a significant return on investment as shown by the RAF case study which demonstrates GVA and employment growth. However, the effectiveness of such a programme is predicated on a well developed industry at a certain critical mass. This has allowed such programmes to operate effectively in most UK regions including in the South West with South West Screen and will continue at the national level through the formation of Creative England. All of which suggests that operating a local scheme would not have sufficient economies of scale to offer a value for money approach for Bath. This is augmented by the fact that the visual media industry is not as developed to that of other regions and localities.

**Conclusion**

Whilst access to ‘free funding’ is often seductive to companies within a sector, the support is only temporary and there is an overall need for an industry to be self-sustaining. In particular, there is no evidence of a specific market failure within the C&D sector, as demonstrated by the high proportion of operating enterprises. That said, direct intervention in specific areas of market failure should not be ruled out in the future, but they are not seen as a priority when considering the creative and digital industries in B&NES at the present time.

**Overview of the Intervention**

The objective for supporting the development of new and better skills is to ultimately increase the levels of employability and productivity within the workforce which will in turn raise GVA and employment. A renewed emphasis on skills has emerged due to the growth of knowledge-driven industries. This has been acknowledged within central government in which a focus has been placed on high value skills as a fundamental aspect of building on high performing and productive business sectors.

The Smart Growth Study outlined the policy context for skills development in which priorities were identified with regard to employer engagement and the expansion of apprenticeship schemes, as well as a focus on skills development in smaller to medium sized companies and for high growth firms.

**Applicability to the C&D Sector**

Creative and digital businesses depend on a highly skilled and flexible labour force which demands that individuals are equipped with the appropriate skills and abilities to perform. This has been generally acknowledged at the national level with the formation of the Creative Blueprint: the action plan drawn up by the relevant sector skills council - Creative and Cultural Skills (CCS). This advocates the delivery of a number of key programmes including:

* Creative Apprenticeships: allowing people to work in industries such as music, theatre and community arts to learn on the job and gain valuable skills
* The Cultural Leadership Programme provides a range of opportunities, from intensive courses to networking events and placements for existing and developing leaders
* Creative Choices: Provides an online service with information on training, jobs and skills, along with case studies of people already working in the cultural and creative industries

Given the infancy of the new landscape of sector skills, it is still unclear as to what scale and scope these programmes will take in practice. However, it should be noted that such provision is likely to be light touch and will not focus on the specific needs of key sub-sectors. Furthermore, it is notable that these programmes are generally focused on qualities most associated with the creative end of the spectrum. With this, they do not address the need for the more technical abilities required by the tech industry base. However, there are a number of examples where tailored schemes have been developed to meet such demands. A notable case study is outlined below:

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| **DigiLearn – International Centre for Digital Content, Liverpool John Moores University**In 2004, The Digital Academy was established as a new £20m initiative to develop a regional centre of excellence for the digital industries at the International Centre for Digital Content (ICDC) at Liverpool John Moores University (LJMU). The DigiLearn Project was the Academy’s flagship initiative to deliver learning opportunities relevant to the industry needs of the digital content sector through developing bespoke courses which developed knowledge and skills across a range of technology platforms. Receiving £4.1m NWDA funding, the provision spanned from one-day workshops to CPD courses on topics as diverse as video production, digital animation and Search Engine Optimisation and was accessed by 820 adults from the digital sector including SMEs, graduates and local communities. One of the key benefits of the programme was its flexibility. Given the wealth of knowledge, expertise and resources at the ICDC, the provision could be altered and improved quickly to support the immediate needs of the digital sector. This ensured a positive impact on the digital skills base of the participants could be realised, raising the earning potential of beneficiaries and increasing employment opportunities. An evaluation of the programme indicated that overall increased earning potential equated to over £1m across the beneficiary population, as well generating new jobs and enhancing the profitability of digital businesses.  |

**Value to B&NES**

The skills base in Bath is relatively strong using conventional measures such as NVQ levels, however the creative industries can place a greater emphasis on soft skills which are often not captured through such metrics and digital skills, by their very nature, are often moving more rapidly than the training programmes intended to deliver them. There is also a feeling nationally that formal education pathways do not fully equip individuals with the qualities demanded by creative businesses. The Smart Growth Study highlighted the opportunity for the University of Bath and Bath Spa University to boost graduate retention and employability in B&NES – such efforts would likely help meet the skills needs of the local C&D sector. Furthermore, the Learning and Skills Partnership and City of Bath College are key assets in delivering skills development beyond that of HE.

However, a more targeted approach is the example demonstrated by the DigiLearn Project, i.e. for the HE/FE base to engage with creative and digital sector more directly through the provision of skills development to businesses via CPD, workshops and other training methods. Given the relative strength of the digital sector in Bath and the requirement for the digital workforce to often possess technical as well as aesthetic abilities, it is likely that a training programme offered by the universities could focus on similar areas as the DigiLearn Project in order to ensure sizeable demand and generate maximum impact.

Both BathSPARK and Creative Bath have hosted a number of workshops and ‘light touch’ training sessions but it is noted that such provision is not as extensive as the majority of training delivered through DigiLearn e.g. CPD courses.

**Conclusion**

Continuous skills development and graduate retention are two key issues for the creative and digital sector in Bath. In both cases, there is recognition that higher education, in the form of the University of Bath and Bath Spa University, can play a more pronounced role. In regard to skills development, more involved training around technical proficiency which capitalises on the resources of the universities, is likely to be valued by the tech sub-sector and would also provide income for the organisations offering the support.

The universities are also in a position to foster a local graduate base with sophisticated creative and digital skills which is an important differentiator for the city. Additionally, more attention on enterprise skills amongst graduates will support the development of the SME base through offering a highly-skilled local labour pool as well as encouraging greater levels of start-up and business formation.

**Overview of the Intervention**

The growth of ‘knowledge-intensive industries’ in the UK i.e. those sectors which invest highly in R&D and depend on high skills and intensive use of technology, has heightened the belief among policy makers that increasing innovation capacity, R&D activities and knowledge sharing among the local business base is key to local economic growth.

There have been countless strategies and papers highlighting the merits of public sector intervention in this regard, which were outlined in the Smart Growth Study. The latest of which was authored by James Dyson and encouraged more focused funding on knowledge transfer from higher education and the need to refocus R&D tax credits on high-tech small firms.[[5]](#footnote-5) The Coalition Government has openly encouraged innovation practices in the private sector with a stronger role for the Technology Strategy Board and recognised the value of public sector support through ring-fencing the Science Budget.

**Applicability to the C&D Sector**

A significant amount of work has been undertaken by NESTA to underscore the relatively high level of innovative activity which exists in the industry and which then has the ability to spill over into the other sectors of the economy. It was this theoretical position which informed the development of the Creative Credits programme discussed earlier.

This is not to suggest that any form of intervention around innovation would not be valuable, rather that the design and delivery of any such scheme needs to ensure additionality to the innovative practices which already take place in the sector. With this in mind, a case study has been presented below to demonstrate an example of an intervention that has been developed carefully to secure maximum benefits to the creative economy as a whole. It is believed that such a scheme would have particular resonance to Bath as outlined in the next section.

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| **Digital R&D Fund for Arts and Culture, NESTA, AHRC and the Arts Council**This summer eight projects were selected to receive funding from the Digital R&D Fund for Arts & Culture. The aim of fund is to support arts and cultural organisations across England who want to work with digital technologies to expand their audience reach or develop new business models.A key element of the fund is to develop partnerships between arts organisations and creative technology companies whereby both benefit from the initiative. Such collaborations will allow arts organisations with limited experience of technologies to integrate digital activities into their offer, while the digital businesses develop new commercial opportunities with a complementary sector. A total of £500,000 has been provided across the series of eight projects which will take place over the next 12 months. Given that this project is in its early stages the impact of the programme will be evaluated over the course of its delivery.  |

The other area where public intervention can have a lasting impact is in encouraging collaboration with universities on joint research projects with the creative and digital sector. Again such an approach builds on the opportunity to secure shared benefits whereby the university gains practical applications for research and businesses have access to an established knowledge base and facilities.

The following case study highlights the work undertaken by Plymouth University to present a well developed external offer for the creative sector.

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| **Innovation for the Creative and Cultural Industries: University of Plymouth**ICCI provides a central point for the development, communication and project management of creative and cultural activities through external projects and related academic research in the areas of design, publishing, multi-media and the performing arts. The centre’s has two particular specialisms which are well used by external partners: * *3D manufacturing resources and expertise*; a range of Rapid Prototyping, CAD, digital sculpting and product development resources to help businesses make innovations tangible
* *Multimedia projects, research and industry*; innovations in the digital industry, including specialist projects which combine business and academic partnerships to create new forms of image display and creation, work placements and community partnerships

To date, since August 2008, 635 individuals and 294 enterprises have been assisted by the faculty through services highlighted above as well consultancy work and traditional technology transfer agreements and research projects.  |

**Value to B&NES**

Both case studies are pertinent to the creative and digital sector in Bath. Firstly the development of an R&D fund could have sizeable benefits given the fact that Bath boasts both a well-developed cluster of tech businesses in addition to a number of established arts and cultural organisations. By providing a ring-fenced fund for R&D activities, the finance can act as a catalyst for the sub-sectors to collaborate on valuable projects which would likely lead to further commercial opportunities and partnerships.

The second case study also highlights the ability for higher education to take a stronger and visible role for supporting the creative and digital sector through knowledge transfer. Both universities are currently undertaking such activities but often in an ad hoc and informal approach. However there is a weight of evidence to suggest that providing resources to higher education to engage more proactively with enterprise will lead to mutual benefits to both parties.

**Conclusion**

The ability for innovation to support increases in productivity and competitiveness is well documented and organisations like the TSB are delivering much of this provision through programmes like Knowledge Transfer Partnerships and Grants for R&D. However, there is a lot of evidence to suggest that the creative and digital sector already displays high levels of innovation from product development to businesses processes. Where the creative and digital sector in Bath could benefit most clearly is in knowledge exchange activities. Such activities would be best directed at exchange between sub-sectors in the case of the tech sector supporting other creative businesses with their digital offer, or alternatively there is the opportunity for higher education to become more active in offering discrete products to the sector. This could involve opening out the use of its facilities or the use of its intellectual capital through research collaborations.

**Overview of the Intervention**

Start-up and entrepreneurship support has received significant attention by the Coalition Government. It is currently regarded as one of the most valued interventions for stimulating growth in light of the recession and has manifested itself in initiatives like Start-up Britain which consists of a private-sector led offer to encourage new enterprises through preferential terms as well as entrepreneurial education projects undertaken in schools, colleges and universities. These schemes, along with a series of events and networks, are aiming to develop a stronger entrepreneurial culture which encourages people to start their own businesses. It is anticipated that sizeable employment opportunities will result from increased rates of business formation which in turn will boost economic growth.

**Applicability to the C&D Sector**

East London Tech City is often used as an exemplar of a successful creative & digital hub which has been sparked by significant start-up activity. The area, often coined “Silicon Roundabout” has seen a dramatic increase in digital business in just the last few years. However, the phenomenon is indicative of a more fundamental characteristic of the industry in that it is particularly favourable to new entrants due to the relatively low barriers to entry associated with technologies such as web and mobile platforms.

Given the preferential conditions for entrepreneurial activities within the creative and digital sector, many generic start-up support programmes have offered this as a particular focus. An example is the recently announced Entrepreneur First mentoring scheme which has prioritised its support to new tech ventures. The case study below is another example of a recently launched scheme which actively targets start-up in the creative sector:

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| **School for Creative Start-Ups**The School for Creative Start-ups is a one-year programme developed by entrepreneur and angel investor Doug Richard and delivered in partnership with the Westminister Creative Industries Programme. The scheme aims to teach the critical skills to help new creative businesses succeed and then to provide support through the first year of business. The programme began in September and took on cohort of selected applicants. It began with a one week ‘boot-camp’ to deliver intensive training around business planning, investor engagement, product and service design and marketing. It then offers monthly sessions and frequent workshops alongside access to a mentor and membership to the Hub Westminster Collaborative Space.The cost of the programme to participants is £500 but it is a subsidised scheme so it does not reflect the true cost of the programme. Given that the programme is in its first year of operation, there is no evidence currently around its effectiveness as an intensive enterprise support scheme.  |

**Value to B&NES**

It is not possible to identify precise figures regarding business formation in the creative and digital sector in Bath but ABI data indicates high levels of micro-businesses and consultation with stakeholders has suggested there is a significant level of start-up activity across the creative and digital industries.

Furthermore, there are already existing activities concerned with encouraging start-ups and entrepreneurship in Bath. An example is the Bath Entrepreneurship Programme – a one-week intensive personal development course for new and experienced entrepreneurs to prepare their business plan, delivered by the University of Bath’s Innovation Centre. However, the provision is not focused on the creative and digital sector and the fee is reasonably high at £1,500 for a participant.

The other key facility in this regard is the Bath Ventures Innovation Centre which is predominantly used by start-ups and pre-revenue companies with many clients in the digital sector. However, it was confirmed that the centre is adapting their business model to include more flexble hot-desking space as well as extending their service offer which already focuses on mentoring, business planning and preparation of investment. This would suggest that there is demand for start-up support within B&NES but it consists of access to tailored business support services and the use of informal workspace for collaboration rather than a permanent incubation offer.

**Conclusion**

Ultimately the nature of provision required as part as start-up support is not that dissimilar to the areas considered as part of the General Business Support section. Specifically, new ventures need advice and assistance on accessing finance, negotiating legal obstacles and commercializing their ideas. However, often this support needs to be pitched in a different style and can be supplemented by access to a mentoring programme as a regular contact point for the potential start-up. As such, there is particular value in giving access to these professional services but tailored specifically to start-up candidates.

However as the case study outlines, the ability to provide some form of access to a physical space can be valuable, especially if it can also act as the focal point for the support. It should be stated that may not involve dedicated incubation space but ultimately access to a collaborative space where the start-up can benefit from the informal exchanges offered by networks, in addition to tailored business support provision.

**Overview of the Intervention**

General business support encompasses a host of activities ranging from mentoring to access to finance and legal advice and there is a long history of the public sector providing services to businesses in order to drive economic growth. More recently, business support has been subject to a rationalisation process led by the Department for Business Innovation and Skills (BIS). Following a second round of streamlining this year, BIS now proposes that business support undertaken by the public sector is limited to the provision of 13 products which are most relevant, but not limited to SMEs and are generally accessed online. However, mentoring remains a core part of the offer, with SMEs able to access business mentors in a programme provided in partnership with the British Bankers Association which started in summer 2011. A complementary programme - Business Coaching for Growth is tailored to SMEs with a high growth potential and begins in January 2012.

Business support and finance continues to be accessed through the financial and professional services community. However, SMEs can experience difficulties in accessing this support. Lending to SMEs has fallen considerably in the last few years and businesses also find it difficult to obtain good value and low cost integrated legal, technical and commercial advice to help them develop ventures and exploit ideas commercially. Also the cost of any dispute resolution can be prohibitive as well time consuming and a diversion of time for a small business.

**Applicability to the C&D Sector**

Overall, interaction between businesses in the creative and digital sector and the financial and professional business support services can be complicated by lack of understanding from both sides. This is evidenced through the evidence available across a number of channels:

*Access to finance*

The creative and digital sector experiences unique difficulties in accessing finance. A BIS & DCMS report - ‘Access to Finance for Creative Industry Businesses’[[6]](#footnote-6) highlighted the view from financiers that the creative industries have a limited understanding of how to seek business finance with particular sub-sectors more likely to have applications rejected compared to other businesses with similar risk profiles. This was attributed largely to financier perceptions over creative businesses which they perceived to have poor growth profiles, no near-term exit strategies and high risks.

Additionally, the report found a minority of creative and digital firms seeking equity through VCs and Business Angels. Again this was partially attributed to the small number of finance providers whom specialise in creative industries. Furthermore, VCs and angels find it difficult to take equity in the creative and digital sector, as often creative content is invested in individuals rather than the company and growth profiles do not meet the expectations of investors.

The development of stronger linkages between a local financial and professional services community and a creative and digital community could help in generating more awareness between these two groups. Improving the supply of finance to the creative and digital D sector in the longer term requires a critical mass of investment ready businesses whilst at the same time increasing the number of investors with creative and digital sector specific knowledge.

*Mentoring*

NESTA research in the creative and digital sector found that in 90% of creative businesses over half of the senior management team had not had any business development training and only 35% of creative businesses had set business revenue goals. This led to NESTA establishing a Pilot Business Mentoring Network for the creative and digital sector to address some of these issues. The case study is included below.

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| **NESTA Pilot: Business Mentor Network**Between 2008 and 2010 NESTA piloted the Creative Business Mentoring Network (CBMN). This was a 12 month mentoring programme for a total of 24 businesses in independent TV production, digital media and advertising. The pilot was to identify if mentoring by industry ‘gurus’ could make a difference to business performance, as defined by participants and develop understanding in relation to best practice in mentoring. The purpose was to support individuals in areas that were seen to be hampering growth in relation to: Ideas, confidence and skills gaps at the early stages of business; and lack of collaboration across creative sectors which could hold back innovationFollowing this programme, an evaluation of the pilot was undertaken by SQW. It is important to note that the pilot was held during a period of a major recession which was seen to affect outputs. In considering gross figures, businesses on the programme experienced an average decrease in sales turnover in 2009/10 compared to 2008/9. However, even those companies that experienced a fall in turnover indicated that without mentoring they would have suffered far worse. In terms of future expectations, 80% of the businesses expected an increase in turnover that could be attributed at least in part to the mentoring programme. Overall, it was estimated that net turnover effects of the programme up to 2010 were £0.7 million to date (equivalent to GVA of £0.3 million), expected to rise to £8.6 million (equivalent to £3.9 million) by the end of 2011/12.In some cases, mentors and mentees have entered commercial relationships resulting from introductions through the programme, either as collaborations or supply contracts. The mentees were expecting to grow their staffing levels over the next years by more than they would have without the benefit of the mentoring. The net employment effect of mentoring is expected to reach 0.9 average additional FTE per company by 2011/12. This translates to overall benefits of 43 FTEs over the next three years. Based on these impacts, this provides a return on investment to-date of £1.49 net additional GVA for every £1 invested. When future benefits are taken in to account, the return on investment increases to £18.23 net additional GVA for every £1 invested. The return on investment ratio is particularly high, given that this style of mentoring programme is able to provide very intensive, targeted support to a select group of companies for an unusually low cost. The costs included management, administration etc but no cost was allocated to the time of the mentors as this was provided free of charge. |

*IP and legal services*

Legal support in the areas of employment law and Intellectual Property Rights (IPR) are generally perceived to be the most valuable aspects to the SME community. In terms of IPR, support can range from maximising the revenue that IP rights generate, licensing and the management and commercial exploitation of rights held by businesses or individuals. In November 2010 the Government commissioned ‘Digital Opportunity: A Review of Intellectual Property’ which highlighted a gap in IP knowledge amongst SMEs as well as gaps in the IP services available to them. The report recommended that the IP Office should draw up plans to provide SMEs with access to such integrated services and made other recommendations included establishing a new agency to mediate between those wanting to license music, film and other digital content. However, it is likely that any changes will not be implemented in the shorter to medium term.

In the meantime, given the cost constraints facing creative and digital micro-businesses and SMEs, a number of schemes have been put in place to provide support in this area which has been specifically tailored to their needs. This includes the CPD in Copyright Law which has recently been launched by the University of Edinburgh. An overview is provided below:

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| **IP Law for Creative Industries – University of Edinburgh**The CPD in Copyright law provides an online course to help practitioners in the creative industries understand the basics of intellectual property law, particularly copyright, as it applies to the creative industries. Intellectual property is an important aspect in the development and growth of the creative industries but research showed that many creative entrepreneurs and SMEs still know very little about intellectual property and its managementThe purpose of the course is to help practitioners protect and exploit their own intellectual property and avoid infringing the rights of others. Participants register for the course for a period of two months, and can access the materials and learning activities in their own time and at their own pace. This ‘self-access’ format keeps costs low, making it affordable to freelancers and small businesses (£85) and provides some of the following modules:* Basic concepts of copyright
* Copyright works
* Requirements for and term of copyright protection
* Authorship & ownership

As the course was only launched in 2011, there is currently no evaluation available as to the impact that it has had on businesses. |

**Value to B&NES**

The number of public sector interventions in business support has considerably been reduced. This has led to a much stronger focus on the private sector to meets the needs of the creative and digital community. Creative Bath has already organised a number of events which brings together the business advisory community (e.g. IPR lawyers) with the creative and digital sector in Bath. However, often the location of such events – at the offices of professional services firms – can put off creative firms from attending as it is regarded as a “selling” event rather than an informative session. The development of a hub could provide an ideal setting for facilitating exchange between the communities.

However, there are other approaches to improving the facilitation of business services to the C&D sector.

* There is an opportunity for Creative Bath and BathSPARK to develop a more formalised and mutually beneficial relationship with the financial and professional advisory community in Bath and broker support.
* The University of Bath and Bath Spa University are well positioned to engage with the creative and digital sector and offer valued business support around areas such as IP protection and business planning. This is evident already with Bath Spa providing IPR courses as well as business plan competitions but this is currently limited to the student population. Furthermore Bath Ventures Innovation Centre provides many business support services which could be scaled up to reach greater numbers of creative and digital businesses.

**Conclusion**

In the current climate of reductions in the number of interventions from the public sector on business support, there are still openings for ensuring that Bath’s creative and digital sector has access to the right type of business support which will help to encourage business growth. There are a number of interventions which could be developed and as they build on existing initiatives would not necessarily have a significant cost implication. The key point will be to clarify and agree on objectives for collaboration and identify where this would also benefit the universities, the financial and professional services community and the creative and digital community.

**Overview of the Intervention**

There are a large number of national, regional and local networks ranging from large lobbying organisations like the CBI to smaller industry networks. These operate in a variety of ways and it is difficult to provide a general overview of their activity and effectiveness. Following the creation of the RDAs, a large number of networks were established which generally focused on particular priority industries where growth through collaboration could be encouraged. However in some cases, groups of businesses with a common aim have formed self-sustaining network with no public intervention.

A PWC evaluation into RDA cluster activity found that the most effective networks and partnerships are those that are not only beneficial to individual businesses but by joint working are also able to generate additional opportunities which enhance the prospects of the sector as a whole.

**Applicability to the C&D Sector**

The PWC report did not specifically evaluate creative and digital networks, but it is anticipated that networks are particularly valuable to the sector due to the ability for firms to collaborate, change direction, operate flexibly and grow rapidly. With this a case study is presented below is an example of cluster organisation for the creative industries in Bristol.

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| **Creative Networks – Bristol Media**Established in 2005, Bristol Media is an industry led organisation with 500 members and over 3,500 subscribers across the digital, TV, animation, design, marketing, PR, publishing, film and advertising sectors. As well as raising the profile of the sector in Bristol, Bristol Media is involved in skills and development initiatives as well as lobbying. Initially supported by SWRDA, Bristol Media received £40,000 a year in funding. Following the demise of the RDAs, Bristol Media has introduced membership fees which range from £20 per annum to £700 depending on turnover. It also receives some funding from Bristol City Council. Bristol Media also generates income through its network of ‘preferred suppliers’ such as legal suppliers and accountants who pay an annual fee to have their logo on the resources page and to have the opportunity to network with the members.The organisation has a full time member of staff who works 4 days a week and is supported by two part-time workers. The Chairman also works one day a week. The Board is made up private and public sector representatives. Bristol Media run a whole host of events throughout the year in partnership with many different sponsors, from business networking and regular socials to large scale industry and profile raising initiatives.As well as a programme of events, Bristol Media has developed a Bristol Media Mentor site which provides access for members to creative business people and entrepreneurs. Bristol Media has also established an ‘employers' hub which gives member companies free access to a comprehensive online legal service on employment law.  |

In order to develop linkages and knowledge exchange between different sectors, an effective mechanism for facilitating this is by bringing together different sector networks. This is especially the case in the area of professional services advice which can sometimes be viewed as difficult to access by the creative and digital sector. The case study below shows how strong links have been established to improve awareness and understanding between professional advisory community and the creative and digital sector in Manchester.

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| **Connecting a Local Business Advisory Community to the Creative & Digital Community**Manchester’s financial and professional services networking organization, pro.manchester launched a ‘creative’ chapter in May 2010. This initiative was established to connect the local financial and professional sector with creative businesses so as to increase understanding and boost links between these two sectors. In particular the objectives are to:* Raise awareness of the sector developments within the creative and digital sector regionally, national and internationally
* Improve understanding and connectivity between the two sector business needs
* Provide businesses and financial skills to new and growing C&D businesses to generate more growth and to make them investor ready
* To generate an understanding within the financial and professional advisory of the challenges and opportunities which the digital economy will have on their business

Other creative and digital networks such as Vision & Media and MPA (Manchester Publicity Association) are also linked up to pro.manchester with whom joint events are organised. The importance of connecting the advisory community with the creative and digital sector, also led more recently in September 2011 to Deloitte establishing a formal collaboration with MPA and pro.manchester. The collaboration with Deloitte will allow for a larger and wider range of events and activities to bring together key professionals from the C&D industries and the advisory community. The partnerships deliver a programme of workshops aimed at providing business advice to entrepreneurs and businesses on a range of subjects from managing growth to valuing a business.  |

**Value to B&NES**

As the creative and digital sector in Bath is made up of a high proportion of micro-businesses and freelancers, networking organisations such as Creative Bath and BathSPARK facilitate linkages within the creative and digital sector and also enable it to speak with ‘one voice’. Networks are a key tool in extending the effectiveness of clusters and enabling wider partnerships with other organisations, as is currently being undertaken with organisations such as the West of England Design Forum and Bristol Media.

However, the importance of access to professional services by the creative and digital sector could be facilitated through stronger linkages between other relevant organisations, especially the financial and professional services. There is an opportunity for Creative Bath and BathSPARK to facilitate closer relationships with the University of Bath and Bath Spa to benefit local businesses. It is encouraging that there have been instances of partnership working with Creative Bath and BathSPARK recently organising a networking freelancer fair which matched up skills of freelancer with the requirements of businesses. This type of event would be more difficult to facilitate without a cluster organisation to interact with businesses and the University.

**Conclusion**

As the creative and digital sector in Bath is typified by micro-business, the bringing together of these businesses through a network that can facilitate idea exchanges and enable relationships with other sectors to develop will be of significant benefit. However, given the reduction in public sector funding, there will be more pressure for such networks to become self-funding.

**Overview of the Intervention**

The digital connectivity of a locality is critical to economic growth, particularly to enable the development of creative and digital industries. Next Generation Access (NGA) has already been rolled out in a number of localities as a business support tool and recent examples include Gateshead, South Yorkshire, Dundee and Salford (Media City UK).

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NGA roll out in Gateshead in particular (see case study) has already brought local economic benefits and is also an example of how such projects can be delivered through public intervention and through a public/private sector partnership model. Gateshead Council is one of the first local authorities in England to put in place a comprehensive fibre optic network through a joint venture vehicle with the private sector.

**Applicability to the C&D Sector**

Given the considerable cost of funding NGA roll out and its risk, the Gateshead case study in this section is an interesting example of how a local authority has approached the implementation of improved broadband access. This intervention has led to growth from the creative and digital sector locally which is being further developed through the establishment of a Northern Design Centre.

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| **Investment in NGA Broadband - Gateshead**As part of delivering Gateshead’s vision for the future to create economic growth, Gateshead Council has made a significant investment in the Borough’s communications infrastructure. Backed by research and spurred on by the general failure of the market to supply high bandwidth infrastructure, the Council developed a telecoms network to place Gateshead at the forefront of Next Generation Access to broadband technology.To deliver this intervention, Gateshead Council established a joint venture(G-ti) with Alcatel-Lucent to deploy an Open Access Broadband Network to a specific site, the Baltic Business Quarter. They have created a 50/50 joint ownership company, with the Council paying for capital and owning the assets and the company for the revenue.  The fibre optic network provides up to a massive 10 Gigabytes of bandwidth. It is capable of delivering speeds in the region of 40 Gigabytes to meet future demand. It also supports services such as media streaming and disaster recovery for businesses in that area. The strong communications infrastructure ‘offer’ has definitely become a key part of the attraction for companies looking to invest in the area, especially in the creative industries and including games developers. This has led to over 180 jobs created at the Quarter, including attracting Amazing Radio, a national radio station and Icelandic video games company CCP. The success of the Baltic Business Quarter has lead to a further investment, with the future development of the Northern Design Centre which will offer creative space for designers, incubation units and studios for established businesses. The Centre will be connected to superfast internet access delivered by G-ti. The return on investment in NGA projects is very much a long-term process and Gateshead Council’s business plan forecast does not forecast a return on investment for about 8-10 years.  Unfortunately, Gateshead Council was unable to provide information on the cost of the initial and on-going investment.  |

**Value to B&NES**

There is no doubt that digital connectivity is critical to enable the growth of the creative and digital sector in Bath as many of their day-to-day operations increasingly depend on cloud-based systems, and transmitting large amounts of data very rapidly. However, key to a successful approach will be to ensure that there is a relevant and strong evidence base to demonstrate the need for digital infrastructure interventions and ensure that there are effective public/private partnerships in place to fund and deliver the projects

In terms of GVA uplift, an evaluation of the of the Digital Region Yorkshire super broadband investment estimated that out of a public investment totaling £93.8m, their central impact estimate of £85.8m net additional GVA is a return on investment of £0.91 for the South Yorkshire economy for every £1 spent. However, the report highlighted that a number of different factors can affect the impact and subsequent return on investment and so included a number of different scenarios under which the central estimate of £85.8m in net impact could be raised to achieve break even, mid-level and strong returns on investment.

**Conclusion**

The Government has made an allocation of £530m to bring superfast broadband to the remaining third of UK homes and businesses that would otherwise miss out. To access the funding county councils or local enterprise partnerships will lead broadband roll-out in their area and will need to develop an effective delivery plan, and match the Government’s investment with European, their own or private funds. However, the need for state aid notification for support results in provision taking a long time and it is important that this is treated as a priority.

**Overview of Intervention**

The objective of public sector support for land and property projects has been to respond to market failures concerning the commercial feasibility of development. In most cases, intervention occurs where there is a wider socio-economic imperative to overcome such obstacles and deliver a capital project. Historically, the RDAs had led on the investment in physical regeneration with £5bn spent since 1997.

The changing funding landscape and the impact of the recession has seen a dramatic reduction in development activity in the UK more generally. In particular, the commercial property market continues to suffer from squeezes in bank lending, a poor economic outlook and reduced public sector investment. With limited funding for commercial property, developers focus on projects with clear demand, secure returns and low risk profiles. As the following section outlines, creative and digital workspace often score badly using such criteria especially when compared to other potential developments.

**Applicability to C&D Sector**

It is paramount to recognise that the role of property for the creative and digital sector is more than merely the supply of workspace. This is a sentiment recorded widely in academic literature, policy documentation and through the consultation undertaken as part of this study. Rather, the availability of premises is valued by the industry in terms of its ability to act as a location for the wide variety of activities which have been considered in this report; namely formal networking, knowledge transfer, skills development, technology demonstration and social interaction. Providing a credible space for creative and digital industries to work is necessary but not sufficient and it is in this sense the intervention is appraised in its ability to provide a physical infrastructure that is conducive to the myriad number of activities that are central to the growth of the sector. Furthermore, we believe this is even more emphasised when considering digital / tech workspace which has stronger growth potential.

The Cities Institute[[7]](#footnote-7) has published a series of research papers which explore the strategies for creative spaces, drawing on practices across the world. A number of the most pertinent lessons are outlined below:

* *Affordable Space for creative activity and enterprise is a consistent and enduring issue:* There is a strong link between creativity and space and so affordable, suitable space is crucial to both attracting and retaining creative talent and allowing it to run successful creative businesses. This needs to be guaranteed on a long-term basis to ensure conditions for survival, stability and ultimately growth of the tenant firms and through observing best practice examples in Berlin, New York and London, such a guarantee relies on employing non-market solutions to protect affordable space for creative enterprise.
* *The most effective way to ensure access to affordable creative space on a long-term basis is by securing ownership of building:* Following on from the imperative to pursue a non-market solution for protection, the paper states that most effective approach is to secure ownership of properties through public or non-profit arrangements. Case studies in Toronto, London and New York demonstrated how not-for-profit ownership vehicles had delivered relief from the fluctuations of the property market for creative practitioners.
* *Convergence centres can address many creative sector needs:* Acknowledging the benefits of property beyond its ability to provide adequate workspace, the paper underscores the value of co-location in creating an environment which fosters collaboration and partnerships. It is suggested that encouraging diversity in terms of uses of the space e.g. studio / office as well as a variety of sub-sectors / sizes can bolster the opportunities for collaboration and interaction.

These findings were affirmed by consultation with stakeholders as part of this study who largely agreed that the space needed to be affordable but that pursuing affordability could not come at the expense of offering complementary business support services and access to networks.

**Value to B&NES**

Many of the points raised above regarding the general applicability of property interventions for the C&D sector, have a particular relevance to B&NES given its unique characteristics.

As already outlined in the sectoral analysis, B&NES displays a well-developed creative and digital economy which is comprised of a number of relatively large sub-sectors employing a extensive workforce. However, as acknowledged at the outset of this study and echoed by the majority of consultees to date, the availability of suitable and affordable workspace in the city is limited. This is also evident through the following observations:

* The largest creative employer in Bath, Future Publishing Plc has problems finding space for the large number of freelancers it employs on a contractual basis. Many hot-desk at Future’s offices which is reported as a convenient if not ideal arrangement due the constraints on their current facilities
* Local design agency Radio also rents out space to other firms within its premises – The Dispensary. Such an arrangement is regarded as an entrepreneurial response to the demand for high quality studio space and as a way to capitalise on the opportunities of co-location of like-minded firms
* Bath Ventures Innovation Centre is looking to expand given the popularity of its workspace. Although it attracts tenants from a variety of sectors, there is a high proportion of digital firms

All of these factors suggest that demand is outstripping supply in terms of appropriate workspace in Bath. With this, it is apparent that many creative and digital businesses are having to continue operations within sub-optimal workspace which is likely to constrain their growth in the long-term. It is this ‘pent-up’ demand for a dedicated property offer which has triggered the development of a number of creative hubs, both in the UK and abroad. The case study below is a notable example:

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| **Baltic Creative – A Creative Workspace in Liverpool**The Baltic area of Liverpool was home to a number of established creative and digital businesses with studios, arts organisations, festival organisers, graphic designers and web designers. However the sector remained fragile in the area, with many businesses having moved from other areas of the City Centre as they were displaced at the advent of high value development.However a number of landholdings in the Baltic Quarter were under ownership of the NWDA and were regarded as an ideal site for a dedicated workspace which could serve the property needs of the growing sector. With this a new Community Interest Company, trading under Baltic Creative, was established which would hold the assets in perpetuity for the public good. Furthermore, a robust funding application to the NWDA was successful in attracting £5.4m of public finance to acquire and refit the units.

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| The Baltic Creative centre will ultimately contain 30,000 sq ft of floorspace in former warehouses and workshops in the historic maritime industrial area and will accommodate 60 firms, forecast to contribute £1m a year to the Liverpool economy. It already has attracted leading tenants including design firm GoCre8 and Liverpool Sound City.  |

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However, while a local intervention can overcome the acute issue regarding workspace in B&NES in the short-term, in order to secures maximum value to B&NES in the long-term requires the ability to deliver a commercially viable workspace that can facilitate many of the complementary services which will support the future growth of the industry.

**Conclusion**

As outlined, the ability to deliver affordable workspace for the creative and digital is an enduring issue which is compounded by a changing funding landscape and limited developer activity in B&NES. It is clear that there is an acute difficulty in Bath to deliver suitable workspace due to the make-up of the office market, high rents expectations and low turnover. All these factors limit developers’ appetite to deliver a suitable workspace for the industry. This is having immediate impacts with many businesses residing in sub-optimal workspaces which in turn is constraining their ability to grow and will likely cause them to look elsewhere. Thus in the short-term there is a need for intervention to provide a property offer alone. However, in terms of value long-term, workspace has the opportunity to act as the focal point for the delivery of a number of support mechanisms and raise the profile for the industry which in turn will generate further commercial opportunities.

1. 'Creative Industries Mapping Document', (DCMS, 2001). [↑](#footnote-ref-1)
2. The four largest sectors in 2007 by employing units were retail, specialised construction, activities of head offices and food and beverage service. [↑](#footnote-ref-2)
3. Gross Value Added (GVA) is a measure of the value of [goods](http://en.wikipedia.org/wiki/Good_%28economics_and_accounting%29) and [services](http://en.wikipedia.org/wiki/Service_%28economics%29) produced in an area, industry or sector of an [economy](http://en.wikipedia.org/wiki/Economy). In national accounts GVA is output minus [intermediate consumption](http://en.wikipedia.org/wiki/Intermediate_consumption). [↑](#footnote-ref-3)
4. Small and Medium Sized Enterprises constitute those businesses which have a headcount of less than 250, along with a turnover of less than £25.9m and a balance sheet of £12.9m [↑](#footnote-ref-4)
5. Ingenious Britain Making the UK the leading high tech exporter in Europe, A report by James Dyson, March 2010 [↑](#footnote-ref-5)
6. Access to Finance for Creative Industry Businesses, DCMS and BIS, May 2010 [↑](#footnote-ref-6)
7. Creative Spaces: Strategies for Creative Cities, Cities Institute – London Metropolitan University, 2005-06 [↑](#footnote-ref-7)