

## **Member Briefing: Industrial Strategy**

On Sunday 24 October, the UK Government published its *Invest 2035 green paper*, setting out its ambition for a modern industrial strategy. An [open consultation](#) was published alongside the green paper inviting stakeholders to submit views to inform the development of the industrial strategy.

The creative industries are identified as one of eight growth-driving sectors that will form the basis of the strategy. The UK Government will prioritise subsectors within these eight sectors, particularly those that meet its *'high growth potential'* criteria and where there is evidence that policy can address barriers to growth.

### **What is and isn't in the consultation**

The consultation contains 36 questions, covering methodology, sectors, barriers to investment, people and skills, innovation, data, infrastructure, energy, competition, regulation, ways of crowding in investment and mobilising capital, trade and international partnerships, place, partnerships and institutions, and a section on the theory of change.

While the consultation may appear focused on high-growth productivity sectors as they are understood by the UK Government and set out in the consultation, we strongly encourage you to submit a response, with evidence that showcases your contribution to economic resilience and social value, beyond mere productivity. This engagement is crucial, including in advocating for metrics that reflect creative subsectoral contributions beyond productivity alone, to demonstrate the transformative impact of the creative sector overall. We are attempting to ensure that the resulting Industrial Strategy incorporates metrics that effectively drive system change, which cannot be calculated without consideration of the strategy's impact on what the UK Government perceives as ancillary parts of the economy, such as public service broadcasters and arts and culture.

As one example, the remit of National Wealth Fund (NWF) will extend beyond that of its predecessor, the UK Infrastructure Bank *'to support the delivery of our Industrial Strategy in areas where an undersupply of private finance exists'*. This presents the UK's cultural and creative industries with an opportunity to make a compelling case for access to a significant proportion of the [NWF's](#) new capitalisation, thus supporting the UK Government to deliver on its Growth Mission.

Creative UK is in the process of drafting its response to the consultation, which closes on the 24 November 2024. Creative UK will respond underscoring the fact that the breadth of the cultural and creative industries contributes to a broader ecosystem that demands acknowledgement and dedicated funding and finance models with UK Government industrial and fiscal strategy frameworks.

### **Developing your consultation response**

This briefing outlines what Creative UK considers essential, cross-cutting considerations which you're encouraged to include in your submission to the consultation. Doing so would support efforts to support the creative sector at large to speak with one voice, effectively and coherently setting out our role in the UK's growth strategy and cementing our position within considerations by both HM Treasury (HMT) and the Department for Business & Trade (DBT) that we, collectively, need significant support for sustainable growth of the whole creative sector.

If you have queries about where your organisation might fit within this consultation, we're happy to support you in exploring how you might respond.

Given the levels of knowledge within the UK Government as to how the creative ecosystem at large operates, and could therefore best be supported to sustainably grow, it is incredibly important that as part of positions and solutions put forward about elements of the creative sector, that content in consultation responses is framed in narrative (and examples) which recognise and set out interdependencies within the creative sector at large e.g. how this element drives the whole, as well as specific considerations and needs of any element within it.

As you prepare your response, we also recommend highlighting three overarching themes:

1. The need for inclusive metrics that fully capture the sector's contribution
2. A call for place-based and blended financial models that recognise the sector's unique growth potential.
3. Support for a regulatory framework that allows for IP and other intangible assets to drive new growth pathways.

### **Data and Metrics**

The consultation intends to evaluate subsector strengths, within the broader growth-driving sectors underpinning the Strategy, through metrics such as output growth, productivity and international positioning, with the analysis conducted using SIC 2-level data, as more granular data is limited. Such a methodology tends to favour tech-forward sectors, which brings with it implications for the wider cultural and creative industries.

The long-term success of the UK's cultural and creative industries, in Creative UK's view, would be compromised without a methodology in the industrial strategy that captures the full spectrum of creative subsectors, especially where attempts to pursue growth come predominantly through intangible assets. Similarly, there are subsectors within the cultural and creative industries, like the traditional arts and heritage sectors, which may find it a challenge to demonstrate immediately show high, short-term growth but have significant long-term potential – and critically, are a fundamental aspect of the creative system which (among other things) foster the growth of people and intellectual property and (among other things) are an incubator for the cultural and creative industries at large.

- **We encourage consultation responses to advocate for the development of a comprehensive metric for measuring the success of the industrial strategy that, alongside financial measurement, considers social impact, cultural enrichment and intangible value as well as slower maturation of different subsectors within the cultural and creative industries.**
- **We encourage consultation responses advocating that metrics should extend beyond narrow productivity, to also capture outcomes such as regional economic resilience, community engagement and long-term cultural contributions. For place-based analysis, metrics should advocate where regional interventions can unlock catalytic growth, aligning with local and devolved government initiatives.**

### **Mobilising Capital**

While the creative industries have been identified as one of eight priority growth sectors, the eventual industrial strategy should show how it recognises and responds to how the creative sector works as

an ecosystem. However, the paucity of data – particularly in showing the source, volume and flow of capital – could limit understanding within the UK Government regarding of critical ecosystem dynamics. A comprehensive map that captures the pipelines and proportions of funding sources would help improve understanding and optimise financial flows into the sector.

- **We recommend consultation responses advocating for financial structures that integrate blended finance approaches: public funding which derisks investment in areas that do not yield immediate financial returns, supplemented by investment vehicles and products that recognise the unique financial structures and risk profiles of creative organisations and businesses that don't neatly fit into traditional existing investment models.**
- **We encourage consultation responses that emphasise creative ecosystem mapping to clarify the source, flow and impact of capital within the creative sector which would reinforce the argument that investment needs to be tied to broader socioeconomic outcomes, including job creation, quality of job and how they relate to future workforce needs – especially if the UK Government is to capitalise on the growth potential of regions outside of London.**

## **Regulation**

Some regulatory impediments currently exist which contribute to the prevention of wholesale investors from supporting creative businesses.

In one example, regulatory reform of intellectual property (IP) financing should be seen by the UK Government as an opportunity to create new investment vehicles specifically for the creative sector by allowing organisations and businesses to leverage IP as collateral. To make this possible, our sector needs pathways that enable creative organisations and businesses to monetise intangible assets and obtain working capital to fuel expansion.

- **Making these arguments in a consultation response will help illustrate the need for approaches that blend public, private and philanthropic capital for the creative sector. This would also support UK Government to consider the development of new pathways to growth through increasing creative organisations, including SMEs' and independent creators', through greater access to capital; empowering the pursuit of innovative projects without the constraints imposed by traditional financing models, further fostering a culture of experimentation and creativity; and stimulating economic growth by unlocking capital for the creative sector, thereby contributing to job creation, economic diversification, and the growth of local economies.**