HOUSE OF LORDS

Communications and Digital Committee

Corrected oral evidence: A creative future

Tuesday 6 September 2022

2.35 pm

Watch the meeting

Members present: Baroness Stowell of Beeston (The Chair); Baroness Bull; Baroness Featherstone; Lord Griffiths of Burry Port; Lord Hall of Birkenhead; Baroness Harding of Winscombe; Baroness Rebuck; Lord Vaizey of Didcot; The Lord Bishop of Worcester.

Evidence Session No. 1 Heard in Public Questions 1 - 12

Witnesses

I: Caroline Norbury OBE, Chief Executive Officer, Creative UK; Annette Mees, Artistic Director, Audience Labs, and Visiting Senior Research Fellow, Culture and Creative Industries, Kings College London; Tonya Nelson, London Area Director, Arts Council England; Ed Shedd, Partner, Technology, Media and Telecommunications, Deloitte.

USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Caroline Norbury OBE, Annette Mees, Tonya Nelson and Ed Shedd.

Q1 **The Chair:** This is the Communications and Digital Select Committee. I should say for the benefit of those in the room that we are broadcasting live on the internet. A recording is being taken as well as a written transcript, both of which will be published on our website in due course.

Before I get to asking the witnesses before us today to introduce themselves, I just wanted to say a little about the inquiry that we are about to begin. This is a new inquiry. We are calling it "a creative future" and it is an inquiry into the future of the creative industries, so it does what it says on the tin. We know the creative sector is extremely important to the UK economy and our society in general. Aspects of it are truly world leading, but even though that is the case, we cannot take its future success for granted or assume that there is no new competition emerging from elsewhere around the world.

In this inquiry, we are going to explore what changes are on the horizon and how well prepared the UK is to meet them. In particular, we are going to look at how new technologies are driving change across the sector; how we can ensure that the UK benefits from those changes and is not disrupted or overtaken by international competitors because of them; and what we need from the education and skills pipeline to ensure we have a skilled creative workforce that can drive success in the years ahead.

As always, we will seek to influence and hold to account the Government and the public bodies responsible for public funding in this part of our national life, but we will also want to challenge those who run the creative industries to make sure that they are equipped, ready and up for the challenges they face. This first session is very much about the big picture. We want to get an understanding of the value of the creative sector to the economy and to our national life more broadly.

Before we get to questions, I would like to ask each of our witnesses briefly to introduce themselves and say the name of the organisation they represent.

Caroline Norbury: I am Caroline Norbury. I am the chief executive of Creative UK.

Annette Mees: I am Annette Mees. I am a former theatre director and currently a visiting fellow at King's London, where I undertook an inquiry into innovation in the culture sector and how we push that forward.

Tonya Nelson: I am Tonya Nelson. I am London area director at Arts Council England. I started at Arts Council as the first director of arts, technology and innovation, and prior to that I was seconded to DCMS to work on the *Culture is Digital* report.

Ed Shedd: I am Ed Shedd. I run the tech, media and telco practice at Deloitte, and I am also the chair of Create Central, which is a public-private-led industry body to turbocharge investment, I hope, into the West Midlands creative sector.

The Chair: Thank you all very much for being here. We are very grateful for your time. I am going to hand over to Lord Vaizey, who is going to kick us off.

Q2 **Lord Vaizey of Didcot:** Thanks very much. I will try as best I can to manage you because we have four very knowledgeable witnesses. I do not want you all to say roughly the same thing in answer to the one question. I hope you will be able to work out where you can add additional nuance.

The committee wanted to open with a scene setter and talk about the value of the creative and cultural sectors. It is something we have talked about for years, ever since Chris Smith defined the creative industries 25 years ago. As my nuanced part of that, is there a problem in communicating the value of the creative and cultural sectors to politicians so that they lean into the importance of these industries? Is there also, on behalf of those industries, perhaps some self-effacement? Particularly if you work in the arts or in theatre, you do not want to talk about your economic value; you want to talk about your artistic contribution.

I have probably confused all four of you hugely, but, Caroline, perhaps you can start with your thoughts on the value of the creative industries to the UK and some of those angles.

Caroline Norbury: What I am picking up in your question is the slight tension sometimes around what we think of as valuable. We are very good at trotting out figures about the size of the sector. I will not trot them out because I hope everybody has been briefed.

Lord Vaizey of Didcot: Give us some headlines.

Caroline Norbury: Okay. According to the last official figures, the sector turned over about £116 billion. A piece of research that Creative UK did last year, looking at the supply chains going into the creative industries and not the upward supply chain, found that the creative industries were generating some £132 billion. Modelling likely investment levels, it could grow much more quickly and much further. The sector has been growing rapidly over the last 20 years. More recently, it has been growing at something like four times the rate of other sectors.

This is an incredibly important economic engine. However, the experience of the pandemic also showed us that the soft stuff kept us together. It was our culture. The creative industries brought people together and helped us in the times we were most miserable in all sorts of extraordinary ways—anything from the Royal Opera House teaching people to breathe properly and working with doctors and medics all the way through to the various memes that kept people entertained.

We need to think more carefully about what we mean by value. If we can have a conversation that is not binary about culture and commerce but is a bit more integrated, which thinks about value in broader terms, that is a really good starting place.

Cutting to the big point that I would want to land—I know it is really early in the meeting—the most important thing for the creative industries is equipping ourselves for the future. We do not really know what jobs are going to be here in 10 years, let alone 20 years. The pace of change is getting quicker and quicker. There is a merging between our real lives and our online lives, whether that is our businesses, our social lives, the communities we build or the entertainment spaces we want to be in. All this is happening at massive speed.

Creativity helps us lean into all that. It helps us intellectually and it helps us emotionally by equipping us for that future and building resilience. That fundamental thing does not get talked about very much.

Lord Vaizey of Didcot: Tonya, you are at the Arts Council, but you did a lot of work on technology before becoming London area director. Could you comment on the value of culture in the UK economy?

Tonya Nelson: I would add to what Caroline has just said. Our part of the cultural sector, the subsidised part, supports a turnover of £34.6 billion and it contributes jobs. There are around 200,000 jobs associated with our part of the sector.

Lord Vaizey of Didcot: The knock-on effect of subsidising the arts is £34.6 billion.

Tonya Nelson: Yes, exactly. In terms of high streets, 71% of our NPOs are adjacent to high streets. They are bringing activity back to high streets. On tourism, we contribute £4.5 billion around the spend for visitors.

There are huge benefits for the economy, both direct and indirect, but at the same time, as Caroline was saying, it brings these other values of health and well-being. At Arts Council, we have started to explore social prescribing. This is a direct relationship between the NHS and cultural organisations to think about health and well-being.

We also know that people feel a sense of civic pride—a pride in place. If we want to level up, if we want to make sure all the UK stays vibrant and interested in their particular areas, investing in culture is very important. There is also the intrinsic value of the arts and how expression is very important to your sense of self, empowerment and way of being.

Yes, we have to be thinking about value from those three angles when we talk about the arts.

Lord Vaizey of Didcot: Ed, given your position both as a practitioner but also as a hard-nosed consultant at Deloitte, presumably preparing reports for your clients about economic value, I would love to hear your thoughts on that. Tonya and Caroline have also touched on the theme of the wider value. For example, the contribution to health and well-being is extraordinarily difficult to measure, if you are trying to measure an economic contribution. It is the hard stuff first.

Ed Shedd: Yes, let me try to do the hard stuff. Picking up on your point about the ease with which we can communicate value, it is a broad sector that is sometimes difficult to define. When we did the report on the creative sector a couple of years ago, we talked about the definition being any activity that is about the generation and use of IP. That is quite a helpful definition because then you do not have to list advertising, marketing, TV, films, games, social media, publishing and so forth, which are obviously all part of the creative sector.

One of the most useful ways of grounding this is to give you three numbers. They are very small numbers: two, three and four. "Two" is the 2 million jobs that the creative sector generated in 2010. "Three" is the 3 million jobs it generated in 2018-19, so significant growth.

Lord Vaizey of Didcot: Are those new jobs?

Ed Shedd: No, in total. We are going from two to three. In 2030, we forecast that there will be about 4 million jobs in the creative services sector. As a percentage of jobs overall, you are going from 7% to 14% of the workforce from 2011 to 2030. We are at about 10% at the moment.

If we look out at the world and ask, "What do other markets look like?" Japan is the only country I have seen that has a larger number of people, as a percentage of its population, employed in the creative sector. That is 14% to 16%. That is mainly because of games. They have a big music industry and a big museum sector. Those are the three biggest parts of their creative sector.

It is really helpful to think about that two, three and four, and the 7%, 10% and 14% of jobs. That helps us show how powerful the creative services sector is and what it is already contributing to the country.

I have two other quick points. I also really like the make-up of the jobs that the creative services sector drives. You get a really good mix of high-value socially mobile jobs, mainly in the editorial and commercial space, and a high volume of vocational skills. In reports that we have done, we have said that for every $100 that is spent in the creative services sector an additional $90 goes on the supply chain. I like the fact that the creative services sector has a very diverse set of jobs. It is very inclusive. It appeals to the graduates of this world, and it employs those who want to do vocational jobs.

Finally, picking up your point about communicating its value, I agree with all the intangible and cultural points that were made before, but if we were able to show the sheer size and scale, and the types of jobs the sector generates, that would be an easier way for people to get their heads around the value this sector delivers for the country.

Lord Vaizey of Didcot: Annette, I want to segue to my supplementary question—I see it says "possible supplementary question", so maybe I should not ask it. Given that all your research is about the future and how things are going to develop, particularly in culture but probably more widely in the creative industries, I would love to hear your thoughts on how you see things developing in the creative industries. If you try to stargaze and think about the experiences we might be having in three or four years’ time or where we should be thinking about skills, how are they going to change?

Annette Mees: I think some of these values will remain the same—there is both the social value and the economic value—but we will see a lot of change in expertise and the format needed to make and retain audiences and the UK position in the international market.

Over the pandemic, I worked with Arup and ArtScience in Singapore to look at what people working in the culture sector are currently thinking about. That was really about three things. There is a change around money and business models. Funding models are shifting, as are commercial models and the business models that underpin the distribution and creation of IP.

Audiences are changing. We have seen that over the pandemic. A report came out a few days ago looking at the impact on audience in the UK and 80% of people who consume culture want to retain the hybrid model, with some culture digital and some culture live. That change in appetite and shift in innovation is not going away.

There is also a real sense that there are new partnerships on the horizon. As culture makers, how do we look at new platforms and new infrastructures? What does that mean for having a global audience as well as a local audience? A big shift is happening; it is already on its way. In that transformation, the expertise that is needed—both the talent making the work and the business models underpinning it—is just starting to grow. That is something to take further in the inquiry.

Lord Vaizey of Didcot: Tonya, you were nodding along there. Presumably, the great opportunity for culture is this global audience and this idea of the creator economy, with individuals effectively being able to be their own arts organisations.

Tonya Nelson: Yes, there are huge opportunities through digital providing platforms for further collaboration between organisations within the UK and outside the UK. There is huge potential in the synergy between tech companies, cultural organisations and commercial organisations. They are all pushing each other. A lot of the tech industry will depend on the quality of the content that is made for a VR or AR headset.

On higher education, bringing universities into this is a really important part of the mix. We are seeing more of that blue sky research being filtered through and made into things that are usable for different audiences. The really exciting thing is if we can continue to support those actors working together in the future in order to spur on the innovation we have.

Again, it would not just be a benefit to the cultural sector; it is the creative industries and the tech sector. That is why I was nodding at Annette. It is about those partnerships and how we drive forward innovation.

Caroline Norbury: I completely agree with what everybody is saying. If you look at, for example, game engines, they have created an environment for worldbuilding, scenario planning and so on. Going back to your question around communication—

Lord Vaizey of Didcot: Are you dying to say the word "metaverse"?

Caroline Norbury: I could say the word "metaverse" if it would be helpful.

Lord Vaizey of Didcot: I do not want to get through the session without someone mentioning the metaverse and future gazing.

Caroline Norbury: You asked about communication. We hear stories all the time about parents getting exasperated—I feel it myself with my own children—at the amount of time kids are spending on their phones gaming, et cetera. Well, they are building the future a lot of the time. Those things that we think are frivolous are teaching all sorts of skills that have economic impact, social impact and educational impact.

I would not want to focus on that at the expense of all the other things that happen in the cultural sector or the creative sector in real time, in theatre, music and so on, but so much of what we do is seen as entertainment and therefore somehow not serious in terms of being able to drive the economy.

On the UK-wide point, one thing that is becoming increasingly clear about the creative industries—it has been spurred on in the pandemic—is how quickly our sector was able, in not all but many cases, to pivot to digital. That means you can build a business anywhere. There might be some different views on the pros and cons of the platforms we have, but they provide all sorts of tools that enable people not just to tell stories but to grow businesses all over the country. We cannot underestimate them.

If we are talking about the push for more democracy, equity and diversity around the country, this is a sector that has been doing that and has been leading the way in helping people have a career, if a career is what they want, and be economically active in lots of different parts of this country.

Tonya Nelson: Can I just follow up on that in terms of the arts and culture sector? What you are saying is absolutely right. The possibilities are there, but sometimes it is very difficult for arts and culture organisations to get access to the technology. That is why partnerships are very important. You will not have those opportunities unless you have access to the tech.

In terms of government policy, supporting things such as Audience of the Future and Creative Industries Clusters has helped arts and culture organisations access the technology and the expertise they need to leverage the great possibilities of technology for the future.

Lord Vaizey of Didcot: We will give the last word to Ed and then move on.

Ed Shedd: I was just going to pick up on your global point. In my role at Create Central, I work alongside the great Steven Knight. He has this phrase that always used to perplex me: "Geography is history". I always thought, "What does that mean?" From the way in which we have started to pitch Birmingham in competition with other regions around the world, you can see what he is meaning.

The Digbeth Loc Studios that he is building, right next to the Creative Content Hub we are building, which will house all our indies in Birmingham, and the new BBC Midlands HQ in Digbeth, are the right height for game engine studio design. A Hollywood set is not. We no longer have to go to Hollywood to make amazing high-end films. We have a large proportion of skilled creative services craftsmen and creatives in Birmingham and around the country who can make use of that studio.

Suddenly, whether you are an individual creative or a company creating, you get a chance to choose where in the world you want to make that production and then to distribute it in all markets across the globe

Lord Vaizey of Didcot: Which is an opportunity and a threat. Thank you very much.

Q3 **Baroness Bull:** Just for the record, I know almost everybody in different guises, but I do not believe I have any current conflicts of interest that I ought to declare. It is good to see you all.

I am interested in the panel's view on the clustering of so many relatively disparate industries under a single term. We had some evidence from Martin Smith in which he pointed out that it was a brilliant political construct and it was very useful, but when you start to think about future challenges, can they be generalised? I really liked Ed's point about how they all generate IP content, but that is a relatively abstract thing for the mythical man in the street to think about. I am going to start with Caroline and then ask whether anybody wants to dissent or add to her view, because we should not take too much time. Is it still useful to describe these disparate but related—or not—sectors under the banner of "the creative industries"?

Caroline Norbury: I wish you had not started with me.

Baroness Bull: Anybody else can dive in if they want to.

Caroline Norbury: It is challenging. The definition is a historical one, which lumps together a whole range of different but complementary disciplines. However, it is the best one we have. Going back to my point about value, it is really difficult to convey something that captures economic, social, cultural and educational value. That is what is different about the creative industries. Those motivations are what drive the people who work in them.

I am generalising dreadfully, as you can imagine, but generally people are not just doing it for a job. They make a decision to do it. Yes, it provides them with a way of making a living, but quite often there are easier ways of making a living. Therefore, they are doing it for a whole range of different or complementary reasons.

The thing that connects it to Ed's IP point is the creation of something from nothing; it is the creation of something that does not always rely on having the infrastructure that might be needed for lots of other industries.

To Tonya's point around access, there are lots more tools making access more and more democratic. However, we constantly talk about the creative industries and culture in particular as a cost, not an investment. If we were perhaps to change our thinking about how that is an investment in that access, in that economic future and in that community future, that might be another way of describing that value a bit more accurately.

Ed Shedd: I agree with what you are saying, Caroline. Fundamentally, I think we should talk about the creative sector as one. It is essentially about telling stories in many different formats, be it physical or digital. It is about the narration of your idea, be that in pottery, jewellery or ballet.

Baroness Bull: Or architecture.

Ed Shedd: Yes, in architecture, or even advertising and marketing. If I look at the financial services industry, which we feel is a big beast in the UK economy—of course it is; it is about a third of the economy—that is not one coherent, individual industry; it is actually a collection of lots of different subsectors. It benefits the creative sector to be clear that what links us is the telling of stories in many different formats.

The Chair: I am conscious that we have quite a bit to get through and some of this is interlinked. Please do say what you want to say, but it would be great if you could be brief.

Tonya Nelson: Sure. I was just going to make the point that, in the new digital realm we are in, we are seeing much more integration between the commercial part of the creative industries and the non-commercial part. Organisations that have experience in music video production are making VR applications for the Saatchi Gallery. Digital is allowing some of those barriers that we used to have to be more integrated in terms of what kind of business you have.

Annette Mees: It is the value that is the problem there, because the term "creative industries" is really useful. The creative industries share, because they are IP-generating, a lot of obstacles and questions. There is a lot of R&D they need to do together. There is a lot of talent that flows from commercial to non-commercial and back. Where it becomes sometimes problematic is when organisations with a predominantly civic value are put in the same pot as those with predominantly commercial value.

If we can think about the creative industries as one, but the value and value extraction as a portfolio that sits over the creative industries, with talent flipping between the two, that is a useful distinction.

Q4 **Lord Hall of Birkenhead:** Looking to the future, within the mix that we call the creative industries, where do you see the changes coming and where do you see more growth versus maybe less growth? We all know about the importance and the growth of gaming; it is bigger than film. Ed, do you have any views about where a higher rate of growth is going to come from in the future?

Ed Shedd: I very often talk about the layering of formats that is enabled by digital technology. That is TV, games, film, social media, digital marketing and social commerce coming together in one potential application and solution rather than a myriad of different services. It is there that we see a huge amount of innovation and growth of ideas.

The impact of digital technologies on the more traditional parts of the creative sector is rather fantastic. Stories follow through from physical to digital very easily. I will give you an example that might seem a bit strange, but there are lots of high-fidelity motion capture technologies these days. The one everyone knows about is the ABBA concerts, which they spent $100 million on and had to do over the course of 18 months preceding the concerts. Very soon we will have technologies that can film a ballet and simulcast the exact same ballet across all the different platforms. Suddenly there is a massive potential to reach more people; there is a massive commercial potential there.

I could give you tens of examples like that, but I will not because I know we are pushed for time. It is in the collision of the digital and the virtual worlds where innovation is created and where growth will come from.

Lord Hall of Birkenhead: Then the question is whether we have the skills and the people to make those collaborations and confluences happen.

Ed Shedd: You are exactly right.

Q5 **The Chair:** I just have one supplementary of my own before we more on to the next question, which Baroness Rebuck will lead on. If I may, I will direct this at Ed, although I am quoting something that has come from Caroline. The creative industries will contribute an estimated £132.1 billion in GVA by 2025. I understand that represents £28 billion more than in 2020 and more than the financial services, insurance and pensions industries combined.

As somebody who works in a business like Deloitte, is the fact that the creative industries are contributing more than some of the more traditionally associated industries that generate economic value understood and acknowledged in your own business?

Ed Shedd: It is probably understood and acknowledged in Deloitte's business in terms of the industry leaders on the executive. The TMT leader, which is me, is on the executive alongside the leader for financial services.

Outside a small set of knowledgeable people—that is a bad phrase—it always seems to come as a surprise to people that the creative sector is as large, valuable, vibrant and impactful as it is. Part of the reason for that is that historically we have been very fragmented. I gave the FSI example before. They have talked quite well with one voice. If we could talk with one voice more often, people would start understanding the value.

For example, the metaverse is definitely coming from the digital tech and games companies. They are the ones building it, but its application is across all industries. Sometimes it is quite confusing to ask, "Is that value strictly a creative services sector application or is it a healthcare application or a government application?" or whatever it might be.

The definition of the creative services industry is really quite important. Historically we have been more fragmented and, therefore, it has been harder to get the message across.

Q6 **Baroness Rebuck:** We are traditionally meant to say what our interests are, but I have been in the creative industries most of my life so I will refer you to my interests in the register, just to put that on the record.

A few years ago, King's College held a seminar to assess the progress of the creative industries on the 20th anniversary of the Creative Industries Task Force, of which I happened to be a member, representing book publishing. We published the first economic survey of the creative industries, which, to your point, Ed, surprised everybody then as it possibly does now. What I found interesting in your answer to Ed's question is that the great economic impact, the contribution of the creative industries, was a given, but all of you referenced in one way or another the civic value of the arts, whether it was place regeneration, community cohesion, health and well-being or whatever.

At the time of this King's seminar, I was really worried that we did not have consensus about the civic value of the arts. I am interested in your perspective on that. Do we have proof? Is it heard by government? If it is not, what can we do to amplify that voice? Caroline, I will start with you.

Caroline Norbury: In the rooms I am in and the conversations I have with government, it does not feel difficult to make that case. There is not very much pushback to the contrary.

However, when it comes to detailing how you then deliver on that, perhaps there is not quite the same content, really, to work out how you are going to realise it. For example, the biggest thing we need to address is our education provision. We have all independently talked about the economic growth; we have talked about how we are seeing a fusion of technical engineering and storytelling through what I call "imagineers". We need to grow a country of people who can both be engineers and imagine things. It feels as if that is a very live conversation.

However, what we see in our schools, significantly our state schools, is that the arts and creative education is an enrichment.

Baroness Rebuck: There is a huge disconnect, yes.

Caroline Norbury: It is not part and parcel. It is not seen as important. There is sometimes worrying rhetoric about creative degrees being low value. There is a sense that humanities and the arts are not as important as maths, for example.

It is about parity of esteem and really thinking about, to Lord Hall's point, the skills we are going to need. We are not training people for a job for life; we are training people who can be ready intellectually and in terms of their skills to deal with things that we have not even thought about yet.

We are looking at creating a base on the moon so we can explore Mars. We really need to be thinking about creating people who can turn their hand to all those things. We are not doing that at the moment in how we talk about and resource education.

Baroness Rebuck: Annette, you were nodding there. I certainly see it as a huge issue. I do not understand why, if the STEAM agenda is the future, creative education and design education are being devalued. Would you say that is the key area where government needs to rethink its approach in order to sustain both the economic and the civic value of the creative industries? Are there other areas where government should intervene to stimulate what you have identified?

Annette Mees: STEAM would definitely be a strong intervention. From the creative industries, I have worked a lot with tech giants. I have worked with Google and the Magic Leaps of the world. They are looking very much towards the creative industries as a partner for experimentation and growth.

We are looking at a period of extreme change. We need to build a resilient workforce, as Caroline was pointing towards, that does not just have one thing it can do but can develop and respond to impacts, new technological environments and social developments, which are also quickening. Climate change comes up a lot as well, both the economic impact it will have and the change models we need for that, both technically and economically.

I sometimes talk about the culture sector as like an infrastructure for imagination. It is a place where people can experiment. Citizens can come to explore new ideas in our museums, our theatres and our public buildings. Looking at strengthening that is going to be incredibly important in a changing society, both civically and economically.

Baroness Rebuck: Ed, getting back to my original question, I asked about the civic value of the creative and cultural industries. Is that commonly accepted in the way the economic value is? You have iterated that very eloquently. If not, what can be done about it?

Ed Shedd: It is a brilliant question. I do not think people recognise the civic value of the creative services sector. It is very sad.

As a proud Brummie, an example of civic value—I could give you a thousand; we could all give you thousands—is the Birmingham Commonwealth Games and the opening and closing ceremonies. It was extraordinary to see the way the creative sector of Birmingham repositioned the story of Birmingham from being not a very nice place that is a bit grim to being a city of iron and steel and immigration that is coming together. I saw people in Birmingham crying with pride at those opening and closing ceremonies and throughout the Games. We all recognise it individually, but corporately and organisationally, when the numbers get totted up, there is no easy way to put that civic value into a number and so it falls away.

I will keep with the example of the Commonwealth Games. Those opening and closing ceremonies looked easy because they were so well done. People thought, "How hard can it be?" The truth is that it is really quite hard. We should value those skills, but it is too easy to think, "That was very entertaining". It is a bit like what Caroline said earlier. It is entertaining; therefore it is not of substance.

Partly the reason why I started off my answer to the first question by looking at jobs is that, ultimately, you have to say there is an awful lot of people here working in this market. They have an impact. In addition, look at all the other things we do. We have to have both a quantitative answer and a qualitative answer, and that qualitative answer has fallen by the wayside historically.

Baroness Rebuck: Is that because there has not been a way of aggregating all the information such that it hits home? I agree with you about Birmingham: I found it extraordinarily moving. There are so many examples of civic value, but they do not all sit together as a coherent story, going back to your point about stories.

Ed Shedd: Yes, that is exactly right. That is why I gave that answer to the previous question about keeping the creative services sector as one. That gives us a chance to talk with one voice. It gives us a chance to have our case studies. It gives us a chance to keep proving the value that we deliver.

The historical fragmentation of the sector has not helped. Speaking from personal experience, when we set up Create Central three years ago, there were loads of people talking about the creative sector in Birmingham. Because we worked well, collaborated well and could speak with one voice about the Birmingham and West Midlands creative environment, suddenly people started to listen. It is simple to say we need to speak with one voice; I accept it is a bit more difficult to do.

Baroness Rebuck: Tonya, you were nodding at this issue of fragmentation. I would be really interested in your perspective. Has the civic value of the creative and cultural industries landed? How could it be better landed? Subsequently, apart from education, what questions should we ask government? You referred to some of them earlier on about technical education and so forth.

Tonya Nelson: Yes. I was smiling earlier because I was thinking about the point around creative education. Arts Council has tech companies coming to us and saying, "We want to design an academy with you. We want a BBC academy. We want a BFI academy". They are looking for us to help them create the skills they need for their organisations. They are trying very hard to work around the establishment right now to get that education and creativity in.

To the point on fragmentation, I would love for us to recognise the richness of the creative industries across the board, from the subsidised to the commercial. There is a big story to tell in terms of civic value. I would just point out that Arts Council's 10-year strategy moved from being great art for all to "Let's Create". "Let's Create" has a much broader profile. It is about what it means for everybody to participate in the creative industries and to get value from them. This is not just about showcasing theatre; it is about all our roles in creating the communities and the careers that we want.

Q7 **Lord Griffiths of Burry Port:** Apologies for being a little late. I am so interested in the discussion we are opening up today. I have no problem in conceding all the points about the commercialisation, the development, the skills and the whole commodification of creativity. I would not feel I had much to contribute in those areas, especially the technological ones.

I have a great interest in creativity on the ground. For me, civic society is not just about the relationship of the creative industries to the civic dimension of society; it is creating space in which people can be creative. I have spent all my life encouraging people, with gifts, to express themselves. Some of them might turn out to be commercial; the prime thing is that they have had a chance to say what was deeply embedded in them.

Some of them, with rare skill, as indeed they start to make something of the ideas they are wrestling with, get the opportunity to go commercial. I looked for a long time at that crossover point where the commercialisation of something that began as a very individual opportunity to tell a story then gets turned into something that can have a general interest and can be sold in the marketplace and so on. There is nothing wrong with that; I am not worried about that, except in what it does to the artistic, innovative and self-expressing aspects of one's being about one's future.

The Birmingham Games were absolutely fantastic. I am quite sure that some of what happened allowed you to get people's talents because you could offer them jobs. I am merely saying that there are some people I do not want to get commercial, but I do want them to live in a place where they can be interactive and explore ideas for their own sake.

I have commissioned quite a bit of art in my time. Going around people's studios, you can tell the difference between the person who is saying something from deep inside them and the person who knows they can sell something. It is a terribly difficult thing to ask four people like you to comment on, but I have conceded all the main points that you have wanted to make. Do you recognise what I am saying?

There is just one last aspect to this. The Chair knows that I tend to go on a bit, and I will try to limit it. I am very involved in a university that I was part of creating. They want to give me an award in the creative end of the curriculum. At the same time, they are announcing to the world that, because they are no longer commercial, certain departments in the arts and humanities are being closed.

What about this collaboration with universities, as part of the spectrum of people you are interacting with, to remind them they have a task to keep those places open? They are the feeders through which perhaps not the technological gifts but certainly the ideas and self-understanding come from. That is a sermon, but then I am a preacher.

The Chair: Is there a question there?

Lord Griffiths of Burry Port: Do you want to respond to that?

Annette Mees: Can I respond?

The Chair: If you would like to, yes. You could perhaps respond on behalf of the panel.

Annette Mees: I agree. This also starts to point back towards the question of what we are measuring here. Are we measuring economic impact? Are we measuring health and well-being and active citizenship in our society?

I just wanted to bring up a bit of work that King's College did with the Gulbenkian around that a couple of years ago. They created this lovely little taxonomy of the function of arts and arts organisations. That includes being a temple, a place where you see beauty and reflect on the meaning of life, but it is also a college; it is a place of learning. It can be a town hall, which is a place for debate. It can be a park, a public space to hang out in and have social interactions. It can be a home and a place of safety.

Especially for the subsidised cultural sector and the infrastructure of those functions we need in social life, learning, social engagement and debate, seeing that value is very important. That is about self-expression; that is about the place where we non-commercialise our humanity and human being, and how we live together. That is an important set of values to keep in mind.

One of the problems is that they are so hard to quantify. How does one quantify this? There is a very famous Venn diagram of "things of value" and "values one can measure". There is a tiny overlap between the two. The thing you are talking about very much sits in "things of value" but maybe does not have a strong overlap with things that are easily measurable. How do we make that argument? How do we measure that impact? How do we talk about that impact? That is a really big question at the moment.

The Chair: Thank you. I am moving now to the Lord Bishop. I am conscious of time, but I am sure the Lord Bishop is not going to give us a sermon.

The Lord Bishop of Worcester: I will try not to preach another sermon.

Lord Griffiths of Burry Port: He is an Anglican; they are shorter sermons.

Q8 **The Lord Bishop of Worcester:** Thank you very much indeed. I have found this fascinating and really encouraging. I should say at the outset that, although I have a passionate interest in this whole area, I have no interests that need to be declared, except perhaps in the welfare of the West Midlands as long as, as Bishop of Worcester, Birmingham does not soak up all the attention and investment—just as an aside.

I want to focus, if I may, on the UK's creative and cultural activities and how they compare internationally. The Chair used the phrase "world leading" at the beginning, which we hear a lot when referring to the creative industries. A review referred to the UK as a "soft power superpower" in this whole area. I would like to ask you to comment on that.

As we do that, perhaps we could focus on those areas that are more difficult to quantify as well as those that can be quantified. I was very struck by what you were saying, Annette. There is a danger in our society that, rather than measuring what we value, we value what we can measure. Having said that, I note that research and development in this country does not compare very well with other OECD countries generally but in this area particularly. We have mentioned education as a problem.

Could I ask you to comment on that whole area? Where are we internationally? Where are we likely to go? Where are the lacunae?

Tonya Nelson: Our arts and culture production and content are valued very highly across the world. It is a big part of the UK brand. In addition to that, though, the way we think about culture from a policy point of view is also valued outside of the UK. We really think that everybody should have a chance and have access to great art; we actively engage our content creators in engagement with audiences and communities.

I know that many people who end up working abroad, having started their careers in the arts here, go to their home countries and find that those skills of community engagement and thinking about the larger impact and significance of art are very much needed. We are very good in our practice around how we make sure that arts are enjoyed by everybody, as well as in the content.

Going to the digital side of things, interestingly, we get a lot of international interest in partnering and collaborating with us in the digital space, particularly around immersive technologies. Our organisations, such as the RSC, are the ones that, internationally, people want to work with.

We had Canada coming to us to say, "We want to do a partnership with you, Arts Council, where we have an exchange between Canadian immersive tech folks and artists, and yours". They have devoted quite a lot of their investment funding in immersive tech, but for creativity the UK is where it is at. They wanted to do exchanges with us. We have had lots of interest from abroad in having UK artists work in that digital space with collaborators across the world. We compare really well.

I would say one more thing about the more traditional ends of the arts, such as museum practice. Museums are the UK's thing. We have established the practice of museums. Emerging economies are thinking, "Okay, we are not going to go down the same path as the traditional museums route. We are going to use digital technology to create mobile museums. We are doing things where we are bringing intangible heritage together with collections and starting to think differently about the model of what a museum is and what it means".

For us, it is really important that the arts and cultural sector can participate in that innovation. Some of that is advanced by digital but some of it is advanced by other thinking and new thinking, reframing what a particular art form does or can do.

Annette Mees: I would like to build on that. I talk a lot with a lot of big culture institutions across the world to see how we are doing. They still look at the UK. As Tonya was saying, we are known for our creativity. As a Dutch person, I know that your language is also really helpful with exports. It is there.

We have such a vibrant creative industry. I was really interested in your numbers: that it is bigger than anywhere else. That totally makes sense in retrospect. The ecology is very vibrant; it is very curious. There is a lot of interdisciplinary exchange between theatre makers starting to work in broadcast, and broadcasters starting to work at technology companies. All that crossover is really quite unique in the UK. It happens everywhere, but we are really good at that.

We are winning prizes all over the world. I was just looking at Goliath, which is a tiny creative studio that has just won Venice and is now nominated for an Emmy in a new form of entertainment. There is so much going on, but, on the other hand, I am also seeing quite a lot of talent drain starting to happen because other countries are better at investing in this.

I have been looking at Singapore. They want to be a hub of innovation and culture. They are making big investments exactly in that and in how those two things come together. Hong Kong is doing similar. I was looking at some numbers. The Dutch have just put €5 million into innovation labs for culture to grapple with this transition to a more hybrid culture and what that means. Canada is delivering so much talent; it has experience with this. It has pulled a lot of the American film industry over the border in the last few decades by investing in better infrastructure, such as green screen studios, so that the film industry, which used to be totally US-based, can do the work there.

They are now doing it with digital technology and culture as well. They are approaching the UK for creativity, but there is a lack of investment. I see so much talent disappearing over the border at the moment.

Caroline Norbury: Yes, we are known as being world class and we definitely punch above our weight. We used to be a massive magnet for talent, particularly London. People wanted to live here. They wanted to work in a multicultural, exciting industry. I do not disagree with anything that anybody has said. However, things are definitely changing. We have to be really careful.

Very simply, if you are a British touring company, touring in Europe is now dreadfully hard. There is no way of hiding that. The visa system is incredibly complicated. I have just come back from Sweden, and I was talking to a friend who runs a cultural institution there. Basically, it is just too difficult to work with the Brits. We have to face up to finding a way to make things easier.

That is about dealing with visas and cabotage, and all those important underlying things, but it is also about returning to the things that are good about the UK being open, inclusive and a melting pot. If you look at the best teams we have, they are a fruit salad of lots of different nationalities and lots of different skills and competencies.

We have to be really careful about sitting on our laurels. The English language absolutely has opened the door for us for years and years. However, it has also been incredibly helpful that we have a really good set of tax credits that have encouraged businesses from all over the world to come and work here. Some of those are up for review soon. I would ask for that to be a favourable review. That is something the committee might look at.

About a year ago, DCMS did a bit of research looking at R&D in the creative industries. It found that—I cannot remember the exact figure—some 50% of SMEs in the creative industries are investing in their own R&D. That is massive compared to many other business sectors. However, the tax credit that we have for research and development does not include creative endeavours. It does not have scope for the social sciences, for example. We could think about adopting the Frascati definition within the R&D tax credit.

We have to be really vigilant about our future visibility and competitiveness. Over 10 years ago, I met a delegation from Korea who were coming over and wanted to work out where they were going to set their European headquarters. They were looking at Barcelona, London and Bristol. They chose Barcelona. They had decided that they were really going to go for it with the creative industries. Over the last 10 years, they have done exactly that. They have the highest-selling show ever, "Squid Game". Last year or the year before, they won an Oscar. K-pop is taking the world by storm.

I have another little anecdote. The arts and culture budget for Berlin is almost the same as the budget for Arts Council England. If we are serious about remaining competitive, we really have to look at how we resource this and, to go back to my earlier point, see this as an investment, not a cost.

The Lord Bishop of Worcester: Ed, in coming to you, can I also ask a supplementary? We have chosen the term "creative industries", for obvious reasons, for this review. Some of us have some difficulty with that term.

Ed, I have noticed that you refer to "creative services"; Tonya, you refer to the "creative sector". I was interested when you made the comparison with financial services and how they have really got their act together. Do you have any comments on the terminology and whether that might help? You might want to comment on the original question first.

Ed Shedd: Yes. I will try to remember both questions. I agree with everything that has been said. I would like to put this in context, though. We are predicting that the global market for creativity or creative services—we will get to the definitional point second—is going to grow by at least 40% in the next seven or eight years. This pie is getting bigger for everyone. It is worth recognising that.

The UK has a brilliant position in the traditional media sector. It is second only to the US in the number of movies made here, and we have the second-highest film production budget, for instance. That is all well and good.

Caroline talked about resting on our laurels and the danger thereof. In this growing world, China, Korea, Japan and the Asia-Pac countries have much more of a natural feel for social media, games and digital. An awful lot of that growth that I have just talked about is going to be in those spaces or at least sparked by the collision of digital and traditional media formats, so we need to be clear on what our offer is internationally. The beauty of it is that the UK has a broader cross-section of creative and craft skills. We have more to offer than lots of the other markets around the world, but it needs to be backed up by investment.

On the definitional front, yes. As a strategy consultant, I know that lots of people have written books about the definition of markets and everything, but it is pretty much the most important thing. If you cannot agree on your definition, it is then quite hard to have a conversation because you always tend to undermine yourself; you do not quite talk about the same things and people can pick the argument apart.

Having a single definition that everyone felt that they could use such that we could speak with one voice, in the same way as the financial services sector has done, is unbelievably important. It seems a bit of a strange thing to say when there is so much else that needs to be done, but we need to start by being clear about who we are not just internally but so that people externally understand us and can engage with us over the long term.

Annette Mees: One reason why Korea, for example, is making such big jumps is that there is currently a pack of 240 companies working together to look at what the future looks like in Korea. In that pack there are hardware providers, television makers and games companies. They work together. Historically, the UK and Europe have been quite silo-ised.

There is this idea of the creative industries, but a lot of the growth we see—we have touched on it—is in that interdisciplinary collaboration. It is when technology companies come together with TV makers, theatre makers or gaming companies. The UK is lacking a bit of infrastructure there, the glue between those different industries. Having a way of bringing that together, whether under "creative industries" or not—I am not as good at definitions as Ed is—is incredibly valuable at the moment.

Q9 **Lord Hall of Birkenhead:** On what Annette was just saying, the example of Canada bringing the film industry north was really interesting. My question is really about the role of government. What interventions should there be? Annette, you have just mentioned bringing people together. We have had tax credits from Caroline. The idea of one voice has also been out there very strongly.

You mentioned Korea but, if you look at other nations that are at our heels or maybe even drawing ahead of us, can you see policy interventions that are working that we should emulate? I do not know who to ask.

Caroline Norbury: I can say something about a couple of places. I have had a relationship with the Inter-American Development Bank for quite a long time. It is a bit like the World Bank for Latin America. It is investing in regenerating in a part of Latin America, and culture is integrated in the infrastructure that it is investing in. It is not seeing it as a culture department or a creative industries department; it is part and parcel of that whole regeneration and that whole investment.

It is interesting to look at Finland. It is doing some really interesting things. Again, to your point about being multidisciplinary and interdisciplinary, the policy approach there is to see communications, tech and culture as all the same thing or all interrelated. It does not just sit in a department; to the point I was making earlier, it flows into education and how they are structuring the curriculum.

One of the challenges we have is that the creative industries is a collection of lots of different subsectors, but it is horizontal. It is something that enables lots of other things. Yet it is seen as a policy that belongs to quite a small part of one department of government rather than something that sits across all the things that we do from culture all the way through to healthcare and well-being.

Looking at places that are doing interesting things, let us take Nigeria, for example. It has done some work looking at freelancer status and ways in which it can build resilience for micro-enterprises. I can send you a bit more information about it, but, again, it does not belong to a government department; it is owned by government overall.

Lord Vaizey of Didcot: I wanted to make a supplementary point so I could get in the fact that I failed to declare my interests at the beginning of this session. I am a trustee of Tate and an adviser to some investment funds that invest in the creative industries. The rest you can find in the *Register of Lords' Interests*.

On a point of order, can we start referring to "Mr Shedd"? I have spent the entire committee hearing people saying, "Ed has just made a brilliant point" and feeling very demoralised; it is Ed Shedd throughout the whole hearing.

I was prompted by your Korean point, because there is an exhibition about Korea opening at the V&A at the end of September called "Hallyu!" I read a very interesting article in the *Guardian* over the weekend—sorry about that: I do not normally read the *Guardian*—saying that they put culture first and economics second. They worked out that, if they invested in culture and exported it brutally, with K-pop or whatever, the economic benefits would come.

This has been a very interesting section of the hearing. I wondered whether it is worth thinking about encouraging the Government perhaps to be more methodical in how they assess what other countries are doing. To pick up on Caroline saying that we cannot rest on our laurels, we brought in the tax credits precisely because of competition with Canada. We were seeing the impact. Do the Government do enough to lean in on what other countries are doing in this area?

Annette Mees: I fully agree. We are currently in a state of quite a lot of change. There is so much technological change and social change, and we know that.

Countries such as Korea and Canada, as we have spoken about, are investing in being resilient to change. They see investment in the creative industries and innovation—those two things come together—as a long-term strategic investment that will pay off without having to measure tomorrow what that is. The idea of investment in innovation is missing a little bit in quite a lot of European contexts as well as in the UK.

In Canada, $200 million was just released for the creative industries and innovation collaborations. The Korean system, the Canadian system and some of the emerging European systems are funding more and more R&D and less and less product. We are in the business of creating IP, but we have a funding system that is trying to innovate through individual projects and individual IPs. Making a project about sheep using 5G is less relevant than equipping a sector to work with 5G in the future and finding the cultural and UK role in a global market that is emerging.

That might be in the dreaded metaverse. Nobody knows what that means yet, but that is really interesting. Nobody knows what the metaverse is, but billions are being invested in it so you can guarantee there is something at the end of that rainbow. We are not ready for that because we are not investing in the transformational thinking that is needed for the sector. Instead, we are trying to find the projects that can make us money tomorrow.

If there is a policy change, trying to figure out—

Lord Vaizey of Didcot: You are not advocating for long-term thinking, are you? It is a terrible thing to say in this country.

Annette Mees: In the short term, if we invest more in R&D so we are asking better questions on a global scale, that will be very useful for everyone.

Tonya Nelson: The single biggest challenge is creating a sustainable pipeline of digital innovation and integration. We have a lot of projects, but the process of integrating all that learning into the way we work and creating continuous experimentation is so important. That is where we have missed a trick.

The Chair: That is a nice segue into the final category of questions from Baroness Featherstone.

Q10 **Baroness Featherstone:** I do not have any actual interests to declare other than that I was a designer and illustrator for 20 years. It has been music to my ears to listen to all your voices today.

The question—many people have asked bits of this question along the way—is an opportunity to summate. I will introduce it by saying this. I have read endless reports recently, and there seem to be two main conclusions. First, the most valuable commodity going forward will be creative thinking. I do not know that we are creating it, because the second thing I have read the most in these reports is that the pipeline and our education system are going in entirely the wrong direction.

I would like you to comment on that and, in that, summate what the biggest challenges are over the next five to 10 years. To an extent, you have done that. How well are industry leaders, government and the sector responding? There are lots of technical advances that open up new opportunities. Are we ready? How are we doing? Those are going to aggravate the situation.

It is commercial as well as technological. We have seen that the streamers have streamed in. They are gobbling up our talent. How do we go on to provide what they are looking for? There is a danger of us losing our competitive advantage and it going overseas because we are not doing all the things you have been telling us we should be doing.

The question is what we need to do from all sides. I am going to give all of you a go.

Ed Shedd: I am happy to give it a go, and then people can build on it. The things we need to do can be, in one respect, quite simply said. The first point I would make—someone referred to it earlier—is about collaborative leadership. The model of the public and private sector working together is a really good one, with clarity of purpose.

Secondly, inward investment and help with building infrastructure that is both tangible and remarked on by people within and without the region is really important. In Create Central in Birmingham and the West Midlands, one of the first things we did was to make certain that we could build studios and content hubs—you get the BBC HQ right next to it—so that people in the region could start believing they could be part of this. When people flew in to say, "What do you have in Birmingham and the West Midlands?", you could prove it. Inward investment is really important in infrastructure.

We have talked a lot about education. I would also say "yes, and", and I would talk about apprenticeships, in particular skills into jobs. Again using the Create Central experience, there was one absolutely brilliant guy I remember speaking to. He went on the production training programme. He was absolutely fantastic. He was a bus driver. He could not get a job immediately after the training, so he had to go back to driving a bus for three months. By the time a placement came, he could not afford to move jobs. Rather than training and education, I would say we need skills into jobs. I know that is slightly at odds with your question earlier.

This is a sector that has innovation at its core rather than on its periphery. We need to help people tell their stories. From a Create Central and Birmingham perspective, we have people who speak over 100 languages in our city. They have so many stories to tell and they really want to tell those stories, but it is actually quite hard for them to do so. We need to help people innovate ideas. That could be ideas across different platforms, or it could just be a different way of telling stories, but funding for innovation and tax incentives are absolutely essential.

I always like asking these types of questions—I will not actually ask you: outside London, which region has the biggest creative workforce in the UK? You know what I am going to say because I have been talking about Birmingham and the West Midlands.

Baroness Featherstone: Surely not Birmingham.

Ed Shedd: Everyone says, "Surely it is not Birmingham and the West Midlands". That is because we did not do any of those things over the last 20 years. We talk about talent drain. That talent was not lost to the UK. You find these people working in Bristol, Cardiff, Manchester, London and all over, but they have not been working in Birmingham and the West Midlands. You can apply that logic to the country. There are some simple things we can do to make our creative industries much stronger and much more valuable.

Tonya Nelson: One thing we say at Arts Council is that talent is everywhere, but opportunity is not. This just picks up on Ed's point. We have a lot of creative talent around the country, but we are not successfully tapping into it. This really is a structural thing at all levels.

At Arts Council, 71% of our NPOs do education as part of their remit. We are trying to fill the gap in creative education, but we could be doing a lot more. There are still a lot of cold spots. I agree with Ed in the sense that it is not just about school-age education; it is also about having those apprenticeships and fellowships.

For instance, the Royal Shakespeare Company did a fellowship programme with Magic Leap to try to get the skills around spatial computing and theatre making together. Those are really important skills. Having that joined-up thinking across tech and the arts all the way up and down the ladder is really important.

Some of the surveys we have been doing at Arts Council around tech adoption within our arts organisations suggest that the leaders within our organisations are not necessarily keeping up. We have to make sure we get that expertise in. The creative industries have to get tech industry folks on their boards and find ways to build in that continuous education so that that pipeline continues to grow, and we move away from a project focus in the way we deal with digital innovation to one where it is embedded and ingrained in the culture of the organisation.

Building on another thing that Ed said about infrastructure, this co-location idea is really important. Again, it is not about the project; it is about being able to have long-term relationships. For instance, the National Gallery has National Gallery X, in which King's College researchers are right there. The innovation that they are pushing through is really related to those audiences that are coming through at the National Gallery. There is a connection there between the thinking in the abstract and what it really means on the ground. It is really important to have more of those possibilities for co-location and to bring groups together on a long-term basis.

Annette Mees: I agree with everyone. It is that kind of afternoon. Right now, we are in a position where we have seen really great work emerging sporadically. There is a real chance for government to connect and bring together these fragmented players in order to invest in organisation around these questions.

These R&D issues and challenges are shared across and beyond the creative industries. We need to connect the fragments together, find that glue and enable organisations to do R&D. Performance and spatial computing was your example. That is shared across live music, theatre and gaming, because more and more is happening there.

Can we enable that gathering around shared questions? That would be really good because, right now, people are trying to do it within individual organisations or even individual projects. It is just not quite enough. We need to tease out the best practice so that it can be shared across the country. So many triangular wheels are being invented behind closed doors at the moment. We can work better together.

Improving the civic outcomes of innovation and culture, as it moves forward in these new hybrid forms, is currently slightly underserviced. A lot of the money, practically, comes from technology companies, because they do understand the value of creative thinking. Although they are interested in a healthy society, in the end they are commercial companies. To support the development of ethics and equity within this sphere, looking at climate impact and how we think about that, is a really important role for government to pick up.

There are some quick wins around the infrastructure of distribution. As Tonya was saying, there is quite a lot of work being developed but it does not quite know where it is going yet. Can we support a distribution network and collaboration around the distribution of new kinds of work? That is a quick win.

A really nice scheme has just been piloted in Australia where digital innovators are mentoring cultural institutions at the executive level. It is run by ACMI and the Australia Council for the Arts. They are trying to figure out how we equip existing organisations to ask better questions within this transformation needed for themselves. It is not just educating down; it is also educating up because shift is hard.

Caroline Norbury: First and foremost, invest in people. Yes, we need to invest in infrastructure, but we really need to invest in people and to trust that we are not wasting money. There are lots of people who train in creative skills who may not end up working in the creative industries, but they are jolly useful in lots of other places. It is an important endeavour in itself.

There are lots of things that we do really well, and we need to build on those. Our public broadcasters do a phenomenal job. They are trusted internationally. Yes, we probably need to get into all sorts of conversations about funding models and so on, but they are huge contributors and catalysts for all types of other creative and non-creative jobs. They have a massive role to play.

We need to be much more holistic in our thinking, to my point about creativity and creative industries being horizontal and owned by government as a whole rather than just one department. We also need to be really brave and imaginative about the future. The Welsh Government have a really interesting role in their Future Generations Commissioner, whose job it is to look at the impact of all policies on generations that are not here yet. That is exactly the sort of creative thinking that we should be doing whole scale.

Without wanting to go back on what I said about building on what works, we do not need to stop there. We can also extrapolate from things that have worked in other places. One thing I have not talked at all about, although I do know quite a lot about it, is investing in creative businesses. My job at Creative UK is to advocate for the creative sector, but on a practical level we have funds that we invest in small creative businesses. The genesis of those funds was public funding. We did not put them out as grants; we put that money out into companies, hundreds of them, as interest-free repayable loans. Our default rate is less than 4%.

We returned that money, and we went to a social impact bank in the private sector. We raised a £24 million venture debt fund on the back of that. We have a green investment bank, and we have Big Society Capital as a wholesale investment bank for social enterprises. Why are we not thinking creatively about a wholesale investment bank for the creative sector? There are lots of things we could do, if we think a bit more outside of the box and stop thinking in terms of government departments.

Q11 **Baroness Harding of Winscombe:** I should also declare my interests. I do not have any directly, but, just in case, given the broad scope of the inquiry and the definition of the cultural industries, I am a director of the Jockey Club, which is one of the UK's largest live music producers, believe it or not—music concerts at racecourses. There you go.

I have been listening to you describe what we need to do to maintain our world-leading position. My background is much more in technology and recently it is increasingly in health and life sciences. You list the same sorts of solutions: skills through to jobs, co-location and the fact that these days the real innovation comes from interrelated and adjacent disciplines. It is not from the core; it comes from the overlap. I could have been listening to people talking about life sciences and pure digital tech.

Is there anything uniquely different about what we need to do to support the creative industries that is not really the same thing about our technical education and our creating physical and digital spaces that enable adjacent creative disciplines? Is there anything uniquely different in respect of the creative industries that we have not surfaced? Is there anyone who disagrees with what you have said? The danger is that it is what everyone says about their sector.

Caroline Norbury: The important point is that we are not doing it. Many of the things that you said are true. There is something that is different, which goes back to my earlier point around motivation and the fact that there is a melting pot of a whole range of motivations. We are not really clear about what we are measuring and what value looks like. We really need to get to the bottom of that. Many of the other industries are going after a very particular challenge.

Baroness Harding of Winscombe: They have a hard target.

Caroline Norbury: Yes, absolutely. As they already have the measurement in place, success is easier to measure, whereas, too often, our success is multifaceted. There is always somebody with a bright idea who has another idea about what that success could also be. Unlike scientists getting together to solve a problem around a vaccine or a new piece of aerospace technology, we are a massively atomised sector. Everything we do does not end up as a plane or a vaccine; it ends up as lots of different things.

The crucial thing is that we are not doing it. We say all the right things; we do not invest. The sector does not get the attention as a growth sector. I have made this point ad infinitum: it is seen as a cost to the public purse. It is not; it is an investment in our future.

Ed Shedd: You are exactly right. A lot, if not all, of the enabling initiatives are common across industries. The most important thing we can do is to get on to that growth agenda. I will give the Birmingham example because it is a consistent one. We worked well with Andy Street, the Mayor of the West Midlands, to get on to his growth agenda so we were sitting alongside manufacturing, healthcare and life sciences.

As soon as that happens, you can trust the people to breathe life into those initiatives and success happens. At the moment, to Caroline's point—I would really emphasise that—the creative industries never quite get on to a growth agenda. It is always a nice-to-have. We really need to say, "This is not just a nice-to-have. This is a really vibrant, creative and economically impactful sector, and we should be doing the same things as we have done to grow the other sectors".

Tonya Nelson: I just want to make a smaller point. Within the arts and culture sector, you are dealing with lots of small organisations. When they partner with tech companies or other commercial companies, there is a power dynamic issue. Even within some of the bigger and more reputable organisations we fund, when they are partnering with those large tech companies they have a hard time in the end dealing with IP rights and those types of things. They need support to feel comfortable in those partnerships and to figure out in the end, when they are doing innovation, who owns the IP and how the benefit can be brought into the organisation and the sector, rather than just benefiting the commercial actor in the group.

Q12 **Baroness Bull:** This loops into what was an absolutely great question. We are looking at how the creative sector can thrive with the technologies that are coming down the pike. The thing that always comes to me is how organisations can make space to make the change they need to make. This is not just about policy and regulatory frameworks; it is also about doing things differently.

You said there is a power dynamic in small organisations; there is also a capacity dynamic. In big organisations, there is a drag factor from the number of stakeholders and long-term commitments. As much as they want to change, they are so busy dealing with the present that preparing for the future always takes a back seat.

Over the next three years, I fear that dealing with the present is going to be all consuming. Just keeping the lights on, literally, is going to be the challenge. How do we make space and prepare for this future? I suspect in Baroness Harding's more cut-throat world of the life sciences it would be tougher. Things would be stopped—"We are no longer doing that because it is not meeting shareholders' expectations", et cetera. Maybe in the creative industries we do not shed things so easily; perhaps we should not either.

I will take you first, Annette, because you did not get a chance to speak. How do we support cultural organisations, whatever size they are, to make the space to make the changes they will need to make to thrive in this new world we are imagining? I know we do not have much time, so I will hand over to the Chair to choreograph you.

Annette Mees: It is about de-risking. The cultural industries, especially in the subsidised sector where I come from, lack the financial resilience to take any risk. As you say, we are keeping the lights on right now. Making any form of investment is really hard; making space for that is really hard. We need support with that.

Simultaneously, there is often a lack of in-house expertise in organisations both large and small within the cultural sector. Supporting that would be really great. Quite often even the briefs set by culture organisations are not very good. The investment in innovation sometimes goes the wrong way, creating an answer for a non-existent public. There is a lack of digital literacy pervading the cultural sector, as you were talking about. It is really important to think about that sector.

As we were talking about earlier, there is a civic value that is quite often squeezed in collaborations with big tech organisations because it is easier to focus on the numbers right now. It means that innovation is taking on a very particular flavour.

If government can play a role in de-risking public investment and bringing to the forefront the civic role that investment needs to take on, as well as its economic role, that would be incredibly valuable.

The Chair: Did anybody have anything else burning that they wanted to add to that?

Caroline Norbury: Just very quickly, techUK published some figures on the investment in this new thing called CreaTech, which is the confluence of creativity and technology. Last year it was £1.4 billion, which was higher than anywhere else in Europe, so somebody somewhere definitely sees the commercial opportunity.

We do not think about our investment in the arts and culture, for example, as an R&D test bed, but that is what it is. Look at "War Horse". I am afraid I do not have the figures off the top of my head, but I know it has made a huge amount of money. It continues to be performed here, in New York, in LA and all over the world. It is generating millions and millions, but it started out as a puppet show. We need to understand that trajectory and that spectrum. We need to think about our cultural industries as that test bed for the future.

The Chair: Thank you. That is a good note on which to conclude. This has been an excellent scene-setting session. I am very grateful to you all for the evidence you have given today and the time you have devoted to being here with us. I am going to call this to order, but thank you very much indeed.