



Communications and Digital Committee

Corrected oral evidence: A creative future

Tuesday 8 November 2022

2.40 pm

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Members present: Baroness Stowell of Beeston (The Chair); Baroness Bull; Baroness Featherstone; Lord Foster of Bath; Lord Griffiths of Burry Port; Lord Hall of Birkenhead; Baroness Rebuck; Lord Vaizey of Didcot; The Lord Bishop of Worcester; Lord Young of Norwood Green.

Evidence Session No. 12

Heard in Public

Questions 103 - 110

Witnesses

I: Professor James Bennett, Director, StoryFutures; Councillor Phil Seeva, Culture, Tourism and Sport Board, Local Government Association; Paul Owens, Co-founder and Director, BOP Consulting.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Professor James Bennett, Councillor Phil Seeva and Paul Owens.

Q103 **The Chair:** We are continuing our inquiry into the future of creative industries. We have two panels this afternoon. I welcome our first set of witnesses, whom I will ask to introduce themselves in a moment. We will talk about two main things. The first is local infrastructure as it relates to small businesses in the creative sector—we will ask what currently exists and its effectiveness. The second panel will move on to international comparisons and competition. I thank our witnesses and ask you to introduce yourselves and briefly give the name of the organisation that you are representing, if you are doing so.

Professor James Bennett: I am a professor at Royal Holloway, which is part of the University of London. I am the director of StoryFutures, which is a creative cluster, and the co-director of StoryFutures Academy, which is the national centre for immersive storytelling, run with the National Film and Television School.

Councillor Phil Seeva: I am a councillor at Cornwall Council, and I am also a representative on the LGA's Culture, Tourism & Sport Board. I am a creative industries champion and have had a 30-year career in the PR industry.

Paul Owens: I am the co-founder and director of BOP Consulting, which is a specialist creative industries consultancy working in the UK and internationally.

Q104 **Lord Hall of Birkenhead:** This afternoon's topic is really interesting. Let us look at the importance to the creative industries of clustering—the idea of being together to share skills, resources and customers. In my time at the BBC, I saw this in Salford, at Roath Lock in Cardiff and around the Natural History Unit in Bristol.

There are two things: clustering per se and the policies of the programme launched four years ago, as well as the creative scale-up programme. Professor Bennett, you have had a lot of first-hand experience of this. How important are clusters, and what are the key issues from the creative industry clusters programme in driving innovation?

Professor James Bennett: Clusters, as a programme, have been an amazing success, but they speak to what already exists on the ground. In effect, clusters harnessed a bunch of networks and relationships that existed in different pockets across the UK, and they turned a lot of data into reality—by that I mean that there was a lot of mapping evidence before the clusters scheme existed. The nine clusters that have been funded by UKRI have turned that data into a lived reality for companies to access research in terms of both people and dedicated funding that is ring-fenced to allow creative industries to grow by experimenting at a point of digital disruption. In the creative industries, that can happen only via networks that clusters enable. As most of you know, a lot of this

is about those networks bringing people together intellectually and bringing companies together to work out how they operate together.

In clusters, we see the ability to bring fused business models together. Countless studies, from Nesta's through to ours, show that, if you bring different business models together, you create a fusion economy that allows you to deal with digital disruption and to grow. So, from that point of view, clusters are turning data into lived reality, which is company growth, stronger local economies and centres of excellence across the UK, which we see in those nine clusters.

Data-wise, clusters were aimed at creating about 50 minimum viable products across the whole network—they have created 175. They were aimed at creating £36 million of co-investment, and they have created £209 million. So, on that level, there has been a 700% increase on what they were supposed to do.

At StoryFutures, we aimed for £3 million of co-investment for our £6 million grant, and we turned that into £12 million. This is because there are local authorities that are looking to invest with us and grow creatively with us, and there are companies that are looking to work out how to de-risk that innovation space. So clusters have acted as a bridge to the new immersive technologies, such as virtual and augmented reality, which are now growing into the metaverse.

So clusters have been an amazing realisation of a lot of work that preceded this, including the previous sector statement from 2018, which has been turned into reality over the last five years. It has been tremendously successful.

Lord Hall of Birkenhead: What do you see the main challenges being over the next five to 10 years?

Professor James Bennett: There are two challenges, coming from different directions. One is the funding landscape: the creative clusters are not being renewed, which is disappointing, given their success.

The other is a technology and culture change around the metaverse, which is the next internet. Historically, the UK has always had a strong publicly funded role in the next generation of technology, from the BBC and public service broadcasting to Tim Berners-Lee and the invention of the world wide web. Web 3.0 will be a really different experience from the current internet because it will be spatial—it will be in the real world—and our real-world spaces will be transformed by the overlaying of digital information. This means that public space will become private space if we do not think about how those two things interact.

So our biggest challenge is public intervention to make sure that the metaverse is a people's metaverse, created with a civic duty and an ethos of public and private coming together. That means giving our creative industries the tools to work with and creating a skills pipeline for understanding that space in a new way. Without serious intervention at a government level to understand how we prepare for this new world, we are at risk of creating quite a corporate space, which should not be that

way—it should be a blending together of those things. That intervention is lacking at the moment.

Lord Hall of Birkenhead: Councillor Seeva, you have seen clustering and clusters policy from the point of view of both Cornwall county council and your work with the Creative Industries Council. Do you have any insights on how we see the importance of clusters and the policies that have been implemented arising from them?

Councillor Phil Seeva: I do. Clustering is hugely important from a local authority point of view. You have a degree of levelling up here that we would all like to see. I grew up in an industry in London that was a drain on talent for the whole country, and it was not until I saw it from the other side of the fence that I saw that there is skill outside London as well. So we see more levelling up as a result of clustering.

It is important to say that clustering is not a brand-new idea. In the car industry in this country in the 1960s and 1970s, cars were made in a certain area, but the lights, tyres and brakes were also made there. You will see that more and more with the creative industries. It would be nice if the TV and film industry was not just within 50 yards of Wardour Street.

Lord Hall of Birkenhead: Mr Owens, you have a lot of experience with how clusters work, not just here but around the world—we will come to comparisons around the world later. What are the main challenges in this country for the creative clusters programme?

Paul Owens: One big challenge is what happens after this round of funding. Most successful clusters, not just in the creative industries but more broadly, are developed over a really long time horizon—decades and decades. It is all about long histories of things happening in particular places in particular ways. The political cycles that we go through often do not encourage that.

Another really big issue for clusters internationally is who governs the cluster. Who makes the big calls about the purpose of that cluster and the things that are going on? The World Economic Forum recently coined the brilliant phrase “mission-driven ecosystems”. The mission of the cluster, who decides what it is and who makes the big decisions about what is going on are really big questions for this creative clusters programme and clusters generally going forward.

Lord Hall of Birkenhead: Can you see places here where that is happening? In those cases, who is defining the cluster, its purpose and its mission? Can you see examples where that is working, as opposed to not working?

Paul Owens: A very recent, good example at the moment—I think somebody involved in it has given evidence here before—is Create Central, which is essentially a city network for creative industries, formed after Birmingham did not get Channel 4. I know some of the people involved in it, and it has a very strong sense of purpose. It is very focused on the needs of the businesses, growth and innovation and has a strong sense of civic purpose around Birmingham and the West Midlands

as an area. That combination of industrial and civic purpose is the balance you want to get in the governance of clusters.

Q105 Lord Young of Norwood Green: When Councillor Phil Seeva was talking about the car industry, it made me think about supply chains. Professor Bennett, how many SMEs are involved in your clusters, so that we do not see it dominated, if you like, by the big corporate businesses? That is, ideally, when it is working well—Paul Owens touched on this in his comments on the really interesting contrast between public duty and civic duty. Are you succeeding in involving small and medium enterprises in your clusters?

Professor James Bennett: We have run 155 collaborative projects with SMEs in the last four years, as one cluster. Those are projects that we have actually funded. The way our networking works means that we have touched and engaged in different ways. In just bringing companies together to work out whether they can work together, we have reached nearly 1,000, but the clusters overall have reached around 30,000 people engaged in different ways. They apply for funding; sometimes they do not get it, but the feedback is part of what you get in working out whether this is for you.

By creating clusters such as this, we create a lot of touchpoints for industry to reach something local, as Phil was saying. It connects to people locally and becomes not just a black box that they do not know how to engage with—there are people whom they can talk to and find out whether the funding or collaborative opportunity is for them. As I say, 155 projects with SMEs have certainly kept us busy.

Lord Young of Norwood Green: Do they impact on the mission statement?

Professor James Bennett: They do; ultimately, as with everything, the pandemic made a huge difference to what the mission was. For us, it meant that SMEs' needs changed overnight from innovation as an opportunity to grow to innovation as an opportunity to keep the lights on by keeping some R&D going during it. It also shifted dramatically how people thought about their innovation opportunity. Pre pandemic, we were doing a lot of virtual reality, headset-based work. That involves physically being together. Post pandemic, we were creating experiences that worked on Zoom and Microsoft Teams—augmented reality, where space and distance were king. Responding to what those people needed is what is great about the clusters. That is true across all nine of them.

The Chair: Mr Owens, to pick up on who decides the purpose of these different clusters, who is deciding that now? You mentioned Birmingham, but Birmingham is not part of the creative clusters initiative—it is its own thing. Presumably, that came from the mayor or somebody there. Who gets to decide the purpose of the other, more organised ones or those supported by the creative industries clusters programme?

Paul Owens: There has to be a process of discussion and deliberation. I do not think it is a question of one party dominating—

The Chair: I mean the ones that exist now. Has that come from government?

Paul Owens: For the clusters programme, which Professor Bennett is part of, there was a pretty long process of discussions between the universities and local businesses. Very often, there were existing industrial clusters there. There were pretty long, detailed discussions between them and, together and with other partners, they decided the agenda. It is a good model of a collaborative process in deciding on the mission and objectives.

Professor James Bennett: It was then funded through the Arts and Humanities Research Council, which we had to convince in each case that the partnership that Mr Owens points to was strong and had a valid mission.

Q106 **Lord Young of Norwood Green:** We hear a lot of talk about skills and their importance in improving productivity and performance. We have heard that there needs to be a better join-up between the skills system and local industry. What role do local authorities play in delivering this and do you think the local skills improvement plans will provide what is needed?

Councillor Phil Seeva: It is a very fair point. You may have seen the LGA *Work Local* report—if you have not, we can let the clerk have a copy of it to distribute. One of the scariest facts in it, on page 1, is that we are expecting a skills shortage of 2.5 million people in the UK by 2030. My concern is that that will only get worse for the creative industries, for one simple reason: it is a massively emerging market, and it needs to be fed with skills. Local authorities definitely have to play a part in that. Education is doing its bit, and we are now producing students who are better equipped for this modern world, but local authorities definitely need to play their part, in further education as well. It is a concern that there is a skills gap. We must catch up quickly; otherwise, we will not be the market leader that we are at the moment.

Lord Young of Norwood Green: We hear a lot of talk about STEM, but we know it really wants to be STEAM. We seem still to be focused on yesterday's qualifications—GCSEs rather than baccalaureates, for example. Are we getting it right at that level?

Councillor Phil Seeva: There are other options now. I have two 15 year-old boys about to go through that very process; they will probably end up going down the traditional route but we will get it right as long as the traditional and modern routes—baccalaureates, T-levels and apprenticeships—equip them to fulfil the need we have, because we have a need.

Lord Young of Norwood Green: Paul, do you want to comment on what Birmingham is doing in this area?

Paul Owens: The question is how you can respond as a geographical area to skills shortages and opportunities. Having a well-developed cluster, good leadership, solid objectives and fantastic relationships

between schools, colleges, employers and local authorities is one way of setting yourself up to respond to the challenges and opportunities. Clearly, you cannot take a simplistic, formulaic approach to skills. As someone implied, we do not really know what skills will be needed in the future—that is all to be invented. The key importance of clusters is that they prime you; they put everyone in a conversation and prime people to respond appropriately to what is coming along in the future.

Lord Young of Norwood Green: What about the performance of colleges? Do you think they are all up to it?

Paul Owens: I do not feel qualified to comment on the performance of colleges.

Councillor Phil Seeva: Equally, I do not feel qualified. Local authorities are not as involved as they were in education.

Lord Young of Norwood Green: I will take that as a pass and leave it at that.

Lord Hall of Birkenhead: I will ask for a little more information, if I could, Councillor Seeva. You mentioned the overall number regarding the skills shortage by 2030, a rather frightening figure—I think you mentioned 2.5 million. Do you have the figure that is estimated for the creative industries?

Councillor Phil Seeva: I am afraid I do not, but I am sure we can get that for you.

Lord Hall of Birkenhead: That would be helpful, thank you.

Professor James Bennett: What I can offer from the work that we have done about companies is that 97% of companies that are looking at the innovation spaces say they have a barrier to growth because of a lack of skills. That was a survey of the trade bodies across TV, games and post-production. Some 97% of the companies surveyed said they see skills as a barrier to growth, and that is only getting worse.

Lord Hall of Birkenhead: Do you have any sense of where, within that figure of 97%, those skills gaps are? I can see that they are everywhere, but do you have any specific idea?

Professor James Bennett: Interestingly, it is a mixture of technical and creative work. One of the most interesting is business development. It is those people saying, "I don't know how to make a business out of my business".

Lord Hall of Birkenhead: And therefore being able to scale up a business.

Professor James Bennett: But the bit that should probably worry us most is that within the information economy, there is the term "unicorn". A unicorn is a person who can command a huge salary because they can combine the technical skills of games engines, in which most of the spatial internet is built, with creative skills, whether that be storytelling or artistry. They are called unicorns because they are rare, and they are rare because we do not do STEAM, we do STEM. We divorce arts from

that. Coming back to your point, that is a massive problem, and we see that all the way up the food chain.

- Q107 **Baroness Bull:** Coming back to the local skills improvement plans, we have some old kids on the block with local enterprise partnerships, we have some newer ones with the local skills improvement plans, and we have a rebrand with the Skills and Productivity Board becoming the Unit for Future Skills. I know it is early days for local skills improvement plans, but can you mark their performance card? I am looking at Councillor Seeva as someone who presumably is at the heart of this. Are they going to make a difference?

Councillor Phil Seeva: Yes, they will make a difference.

Baroness Bull: Okay.

Councillor Phil Seeva: I will expand on that slightly. We have to do something about it, and this is what we are doing. Reaching out to the local authorities and allowing them to take some responsibility for this is very important. I have said it already, but my biggest fear is that we are going to have the most amazing industry that we will not be able to service if we do not have the skills to do it. We all have to take a degree of responsibility. I know that local authorities are, and the LGA is trying to play its role in steering that and supporting local authorities with whatever means it has. I welcome any activity in that area because it is a worrying figure.

Baroness Rebuck: Do you feel that within the LGA or in other bodies there is an adequate focus on sharing best practice? You have talked a lot about the emergency and about devolving to local authorities, so I am sure there are lots of initiatives all over the country. Is that something you actively focus on and talk about?

Councillor Phil Seeva: The LGA is particularly good at doing that. The problem is that local authorities are all at different stages of this. Some of the larger authorities and the more urban authorities will be better at this. Let us not forget that this is a sector that employs 2.2 million people and is a £116 billion industry—every local authority wants a piece of this pie. It is a question of how they can find the skills to do that. So certain local authorities are better at it, and I would like to see a situation where they are all better at it. That is a role that the LGA plays and will continue to play.

The Chair: It is encouraging to know that there is competitiveness between the local authorities in wanting to draw this sector to them.

- Q108 **Lord Foster of Bath:** I will quote back to you what you said a few minutes ago, Councillor Seeva: "Local authorities need to play their part." But we should look at what is going on. For instance, my former constituency of Bath is involved in the Bristol and Bath cluster, with £6.8 million going into it for the next drive, but it is actually run by four universities and local businesses, with the local council not playing a very significant role in it. When you were asked about the local skills improvement plans, you said it was great that councils were getting an

opportunity to have a say, but they are not very involved in them. Indeed, the LGA put out a statement the other day saying how much it regrets not having a greater role in them. There are a lot of individual councillors with real enthusiasm to do it, not just in cluster areas; rural areas desperately need to get creative industries in them as well. I accept all that.

My question to all of you, not just Councillor Seeva, is: what role can councils play? Given all the huge financial constraints on you, what do you need to help you to do whatever it is you think you can do? What are the key things you can do to help?

Councillor Phil Seeva: First, we all know that individual local authorities are under a huge amount of pressure. We know that funding cuts are coming next year and more will come the year after. That makes it very difficult. Imagine that you are in their shoes; it is difficult to be in that position where you have to prioritise certain things over emptying the bins, getting the roads fixed or adult social care. So I accept that it is a very challenging situation but, as for playing their part, you are going to get certain councils and local authorities understanding and realising what an opportunity this is. Some are going to get it sooner than others.

The one thing that local authorities do very well is that when there is one success story, there will be another one further down the line. We had the wonderful example in Ashford in Kent, where a TV and film studio—which I suspect did not know how to access the funding from central government—started working with the local authority there. The next thing you know, it is employing 2,000 people and is three times the size that it was two years ago. That is a story that goes out to local authorities, and they all want to play a part in that because they understand it.

Lord Foster of Bath: So there is a role in signposting potential new start-ups to funding streams. That is one example. What else can they do?

Councillor Phil Seeva: It is important that they first identify where the opportunities are. They also need to prioritise those over certain other things. I am not saying we do not need to look after adult social care, but we need to allocate funds. They also need to understand it; that is very important. Local authorities do not always understand the creative industries. They need help with that, and as far as I am concerned that is the role of the LGA in that sector.

Professor James Bennett: The last point that Councillor Seeva made is important. It is about having dedicated staff to understand the creative industries because they work very differently from other parts of the economy, and that means you need to have a knowledge of them.

There are probably two tangible things that could be done in that space. First, the relationship between my sector—universities—and local authorities is crucial to build the skills base together so that there is a shared mission about where skills growth is going to be. Within that

space, it is weird but I am going to say that we focus too much on the student as the end product and we do not think about the pipeline.

Take Councillor Seeva's point about making sure that staff in local councils have the skills: we need to focus on training the trainers. We need to focus on upskilling people in universities to pass them on to a pipeline of students. That is the programme that we have been running for the past four years with the universities, working with local partners. We have upskilled 19 universities to deliver courses where the focus is on the trainer and the trainer then creates courses for the local economy. Through that, we have courses across the country now that are benefiting 5,000 students. If you expand that into other areas of the economy and do not just focus on undergraduate students, there is an exponential benefit.

Lord Foster of Bath: I apologise for interrupting. I agree with everything that you have said, and it is great to hear you say it all, but I am struggling to find in all of that what role you see for local councils, given the constrained circumstances they are in at the moment. In particular, is there anything we can propose—other than more cash, which is the obvious thing—to help councils to help you to deliver the partnership that you want them to work in, whether it is on skills or so many other things?

Professor James Bennett: It is about the promotion of a shared vision between local councils and key players such as universities. By doing that, we can work with our local authorities—the EM3 LEP, and Surrey County Council—to build a shared vision where we attract companies. The aim is to attract companies outside of London to settle there. Every time we do that it is a win for the area because we are attracting new business to it, but you can do that only by creating a physical space for them with stuff that we have, such as skills programmes. Shared vision is where it starts.

Lord Foster of Bath: That is very helpful. Councillor Seeva smiled at the point about premises. You have the power over your planning authority, when we look at the whole issue of the other shortage. We are well aware of the skills shortage, but there is also the problem of premises.

When I was MP for Bath, in that local authority area we arranged to have creative workshop spaces incorporated within some of our housing. That has been a great success. Presumably, there are lots of other examples of things that you could do through planning.

Councillor Phil Seeva: Planning will play an important part in this. There is an ask of £100 million to help local authorities turn some of the high street space into creative hubs. The old high street and how it looks has changed dramatically. We will see more residential properties back on the high street, and more creative businesses. The days of having a bank downstairs and a solicitor upstairs have long gone. They will be replaced by web developers, graphic designers, people involved in arts and culture. Planning will play a part in that, which is something that

central government will have to look at. We will pressurise them to do that as best we can.

We cannot have the funds and desire to do it, and the market there, but not be able to because they will not let us do the planning.

Paul Owens: To emphasise the point, when you are trying to build clusters, having an actor in there with that convening power, although it is quite soft, a custodian of the place, who does not have private interests or narrow interests but the broader interests of the place at heart, is a crucial role for local authorities.

I agree with the point that Lord Foster made about planning powers. Quite a lot of creative clusters more broadly have a very important physical dimension, in terms of cultural buildings, places where creatives can meet and work. Having the planning powers to shape that is really important. Something that is growing in our country, and which was imported from the US 20-plus years ago, is business improvement districts. A large number of the 250 or so of them around the country have a very strong cultural and creative element in them. Business improvement districts are a really good mechanism for governing and organising creative clusters.

Lord Vaizey of Didcot: Do they work? I have always been very sceptical about them. I put them in the same bracket as enterprise zones: completely pointless government announcements that make no difference.

Paul Owens: I do not think that is true at all. I will give an example: Tate Modern.

Lord Vaizey of Didcot: Oh, you have struck right at my heart.

Paul Owens: It was opened 20-plus years ago, in a part of London with multiple deprivation, physically deteriorated to the nth degree. It is now a thriving business cluster, with the world's most visited modern art gallery at the centre of it.

One reason why it is now a thriving business cluster is that Tate Modern has always worked very closely with the local authority and local employers. Eventually, it settled upon the bid structure. It is called "Better Bankside" now, but there has always been a Bankside vision.

I can remember going down there as a youth, before it all happened. It was a no-go area. Now it is an international—

Lord Foster of Bath: Well done, Nick Serota.

Lord Vaizey of Didcot: This could be Councillor Seeva's opportunity to outline his vision for Tate St Ives business improvement district.

Councillor Phil Seeva: Tate St Ives is doing just fine.

Paul Owens: Business improvement districts are an appropriate governance structure for clusters, getting the balance between working with small businesses and thinking about industrial competitiveness and innovation, and the civic dimension and making that relevant to place. A big challenge that Lord Hall asked about earlier is how we can build

internationally competitive clusters that are out there engaging with international markets while also being open and available to local young people.

Lord Foster of Bath: Just so that we can get it on the record and it does not get missed, you made another important point about the need for an individual, somebody who is enthusiastic and who makes these things start, whether it is a member of the bid, a member of the LEP, a member of the council or whatever. In many parts of the country, you need an individual with some enthusiasm who starts the flame. The case you have given is a good example but there are many others.

Paul Owens: It is true, and if we talk later about international lessons, one is that we need one person or a small group of people with a vision and a passion, to galvanise. This is true not just of clusters.

Lord Vaizey of Didcot: It is true of life.

Q109 **The Chair:** On spaces, one specific proposal that came from an earlier witness was about the access to space for small start-up businesses, or businesses trying to scale up from the big tech firms when they move into these areas.

You have talked about Tate Modern. What is the feasibility of requiring some of these larger and more successful businesses, if they have space available, to make that available to smaller start-up businesses? Is that already happening? Are you exploring it in any of your local authority areas?

Councillor Phil Seeva: I do not know, but I imagine that as some of the larger tech companies develop and move on, they create space behind them which is being filled. Of the 2.2 million people who work in this industry, a large number still work from home, or in home offices. Finding them other space that they will need, and which allows them to move to that next level, where they will start to employ people and add more to the economy, is important.

The Chair: To quote someone who gave evidence earlier, in Liverpool, Sony and Amazon have empty floors. There is potential there for a greenhouse environment where small tech businesses that are up and running but are struggling to scale up, with the cost of heating and lighting—

Councillor Phil Seeva: I imagine it would work like an incubator in that instance.

Professor James Bennett: That is the history of creative industries. If you look at TV and film, where the big studios build, satellites come around them and they share some of the costs of that. There is opportunity for tech giants to play more of a role in that, because the history of our creative industries is about building on that satellite and clustered growth. One would have to push at it harder to get firms to respond.

Lord Foster of Bath: There are also business rates issues, which I am

sure that the LGA could discuss.

- Q110 Lord Griffiths of Burry Port:** I am learning quite a lot about these things. Thank you very much for the range of ideas that you have put forward. I am still interested in putting a question about how stimulate local creative clusters.

The briefing notes that we have suggest that to stimulate creative industries, a region needs “talent, skills, quality education institutions and research universities, technology, research and development and science, tolerance, communities characterised by open-mindedness and diversity, editorial assets, available land for development, as well as other environmental and cultural amenities”. We have touched on quite a number of those.

All of that is supportive of identifying these creative clusters as happening in major cities. I know that Mr Owens has 40 major cities around the world where he has experience of pushing things in that direction, and I am sure we will come back to that in our second session.

Councillor Seeva, you have been very good at helping us understand the LGA position on some of these questions. But I am interested in you as a Cornish county councillor. I worry about those parts of the land that do not have major universities, technologies and the conglomeration of things I have just recited. I have a lot of interest and involvement in south-west Wales, where there is an absence of critical mass bringing these factors together, and yet a lot of good will.

Cornwall must be a little like south-west Wales. How might all the fine things you envisage for the buzzing places you have described be made or stimulated to happen in less-populated, more diverse and scattered communities? They are just as important. You have mentioned levelling up. How does Cornwall level up?

Councillor Phil Seeva: If I may address another point first, I do not wish to fall out with my colleague Paul Owens, but I do not completely buy into the idea of it being only clusters. I think this is something the whole country can take advantage of. To give a very specific example, I know of at least three web development agencies that operate very successfully in Cornwall but unfortunately cannot work when the surf is good because of the type of people they employ—when it is good, they only want to surf.

We have Falmouth University, which is an incredible university. I visited it a couple of years ago and had the most inspiring conversation with one of the tutors there. I asked him whether it was the stepping-stone to the film industry; he said, “Phil, this is the film industry.” There is that similar mentality in the TV and film industry in south Wales as well. Clusters are very important, but it is for the whole country, if it needs to be. There is nothing stopping it just because you are not in a cluster.

Lord Griffiths of Burry Port: Perhaps a lack of imagination; even in south Wales, much of it tends to happen on the Cardiff side. A rather ingenious man with whom I worked in south-west Wales has got the

Welsh channel to be situated in Carmarthen. The extraordinary agglomeration of educational things he has put together—universities, technical colleges and colleges of further education—should be a trendsetter. It is also important for the Lake District and certain parts of the north Midlands.

Councillor Phil Seeva: One reason why the creative industries are so important to other local authorities outside the clusters or even urban areas is that some of these other areas do not have that many industries to fall back on. You mentioned the Lake District; it is probably not dissimilar to Cornwall in that it is heavily reliant on the tourism industry. Without that, it is difficult. The great thing about creative industries is that areas of development can happen anywhere in the country so long as you have the skills, tolerance, as you said, and some backing from the local authority.

Lord Griffiths of Burry Port: That is Cornwall, but Royal Holloway and Shanghai do not fall neatly into the same category. You are thinkers; you have applied your thinking to particular places, but do you have any thoughts to add to what Councillor Seeva said about the general availability of the key ideas in terms of revitalising local and remote areas as well as heavily populated areas?

Professor James Bennett: I do not agree that you can just apply this uniformly across the UK. Clusters work because there is a network of people within physical and geographical proximity and within interests. They work towards growth and scale because they bring people together for that. That does not mean that a creative company cannot be located anywhere—it can—but the company might not be interested in growing, scaling and innovating. It means it can run a successful business, but it does not mean that is where we want to increase public funding to increase growth and innovation.

It is dangerous to think that we could just do this everywhere across the UK. We need to embrace what Mr Owens said earlier; clusters are only just beginning to work, and if we look across other sectors outside the creative industries, we see that working over long time periods. We are yet to see the return on investment that has been made in clustering for the creative economy. It is best to double down on that rather than start to think about spreading it out.

Paul Owens: I do not have much to add to what has been said, except that it is perfectly possible to imagine a situation where you have a thriving cluster in a city such as Birmingham, since we are talking about Birmingham, which benefits a microcluster, to use the Nesta term, situated just outside Worcester. It does not have to be totally geographically defined all the time; clusters are quite a baggy idea, in a way. The key thing with them is the interrelationships between the different actors and companies. The economic evidence is that physical proximity often adds to intensity of innovation, but that does not mean that you cannot have any of that activity anywhere else. Then you get ripple effects.

The Chair: Can I be more specific with you, Mr Owens? Can you give us

some insight into the lessons from overseas that need to be brought over here if we are to be successful in promoting these creative clusters both where they exist already and where they could be stimulated more?

Paul Owens: I have four. First, there has to be a clear alignment between the objectives of the different parties involved and the different levels of government and governance. In the UK, we have a very centralised system; you have to try to create alignment between what central government is doing in terms of policy-making and making funding available and how that is responded to once you get to local authority level, combined authorities and even individual places such as business improvement districts. There must be some kind of alignment. That requires long-term vision, institutional stability and all those sorts of things. I have been doing some work in the United Arab Emirates, which has a plan for 2075. That is how far forward it thinks.

Linked to alignment are what you might call incentives. The incentives have to be right and aligned. One of the interesting things about the clusters programme, as Professor Bennett hinted at, is that there has to be an incentive for the university to work with groups of small companies. There have to be incentives for professors like him not just to be writing research papers or working with IBM but to be working with interesting little games companies and groups. Sometimes that is harder, more of a sweat, more difficult to organise. That is very important.

To go back, there is also a really important lesson about timelines. Successful clusters across the board, across industries and across the world, take decades to build. It is a long game. It is a marathon, or at least a middle-distance run—it is not really a sprint.

Finally, it is important to get the balance between the industrial drive for growth and the understanding of the civic dimension. If I might be permitted to say so, you can get the balance wrong. We in Europe always look to the west coast of America and to Silicon Valley as the ultimate example of a successful high-growth cluster. It is indeed probably one of the most successful histories in terms of number.

However, you could also argue that there has been a social cost to the growth of that cluster. It might even be that the governance of that across politics, business and civil society has been overdominated by the business side. That is just an observation from certain politicians I have spoken to in Europe. That civic/business balance is really important.

My favourite example of a really brilliant, successful cluster that has that balance of civic and business is Montreal. Right in the centre of Montreal they have an open-air national theatre. It is called the Quartier des Spectacles—the quarter of spectacles and performances. It is organised a bit like a business improvement district. There are about 30 or 40 cultural organisations, so imagine the City of London or the South Bank, and they work together to programme the public spaces, and work with schools and universities. Because they have had this really big, open public space for 15 or 20 years, they have developed a particular specialism in their city around creating immersive experiences and entertainment—so using technology to really enliven and animate that

space. As a result of that, they now have 50 small businesses which export that expertise across the world. They have a civic performing arts cluster in middle of their city, which is also a high-tech immersive technology sector. To me that is an ideal balance between a really dynamic, growing business sector and a fantastic local civic resource.

Lord Hall of Birkenhead: Following on from that, looking in the way you have done, globally, do you think there is a danger of us being complacent about our success in the creative industries?

Paul Owens: There is not a danger of it—we are.

Baroness Bull: You said that there need to be incentives for Professor Bennett to do research that has these different kinds of outputs. We know that the creative clusters programme was an exceptional intervention. As a person seeking research grants—perhaps it is unfair to ask you—is the research grant environment prompting you towards peer-reviewed papers or interventions such as this, which are going to make a long-term difference to the economy and society?

Professor James Bennett: The clusters programme is the first of its kind on that level. It took some—not all—of the brightest minds across the UK into a space they would not have occupied. As a result, really exciting ideas were pushed in an industry-facing way that generated new products and services. The business of universities is otherwise about research funding in, paper out; or undergraduate in, graduate out. This was research funding in, SME gets a product out. That is a massive change and it has been so beneficial to the universities and companies involved. It is a step change.

Baroness Bull: Where will you go for your next funding to do this kind of thing?

Professor James Bennett: I am not sure, is the short answer.

Baroness Bull: Yes, that is what I was worried about.

The Chair: I will draw the session to a close. We have slightly overrun. I am very grateful to all three of you for your time and very helpful evidence. The one thing that I would mull over is what Mr Owens said about the balance between business and civic. It is important to get that balance right but in this country we are balancing one way versus the other. You pointed to California but I am talking about this country: do we put more emphasis on the civic at the cost of the business advancement, or the other way round? One thing that we are quite shy of when we discuss the creative industries is the profit-making element of them. We talk about the cultural aspect of them and are not always willing to be bold in discussing the real economic, hard-edged value of them.

Paul Owens: This is probably not a very useful answer but I do not necessarily see them as totally opposed to each other. Maybe I gave that impression in my answer. You have a richer civic life if you are more successful in business and industry, and you have better business

outcomes if you have a rich civic life. The two things go together, in my mind.

Professor James Bennett: We have one of the most successful TV industries in the world and it is built by clear civic obligation. There is no reason why you cannot model that into new technologies, but we are content creators, fundamentally, and that is really different from the civic and value thing that Mr Owens was talking about. We should embrace that about our country's creativity.

The Chair: Thank you very much indeed. I am very grateful to you all. We are going to move on to our second session. I should have said at the beginning that we were transmitting live on the internet and a transcript is being taken, but you knew that.