



## Communications and Digital Committee

### Corrected oral evidence: A creative future

Tuesday 22 November 2022

11.45 am

[Watch the meeting](#)

Members present: Baroness Stowell of Beeston (The Chair); Baroness Bull; Baroness Featherstone; Lord Foster of Bath; Lord Hall of Birkenhead; Baroness Harding of Winscombe; Lord Lipsey; Baroness Rebuck; Lord Vaizey of Didcot; Lord Young of Norwood Green.

Evidence Session No. 15

Heard in Public

Questions 131 – 142

### Witnesses

**I:** Robert Halfon MP, Minister for Skills, Apprenticeships and Higher Education, Department for Education; Julia Lopez MP, Minister of State for Media, Data and Digital Infrastructure, Department for Digital, Culture, Media and Sport; Kevin Hollinrake MP, Parliamentary Under Secretary of State, Department for Business, Energy and Industrial Strategy.

### USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on [www.parliamentlive.tv](http://www.parliamentlive.tv).

## Examination of witnesses

Robert Halfon, Julia Lopez and Kevin Hollinrake.

Q131 **The Chair:** This is the final hearing of the Communications and Digital Committee's inquiry into our future creative industries. We are very pleased to welcome three Ministers: Robert Halfon, from the Department for Education; Julia Lopez, from DCMS; and Kevin Hollinrake, from BEIS.

Our inquiry is about the impact, particularly of technology, on the creative industries and ensuring that we are in a position to seize all opportunities that that presents, but also that the risks that it poses are identified and mitigated.

Digital competition, or the anti-competitive nature of the digital world, has been the subject of separate inquiries by this committee in the past and is important to this, particularly because of the dominance of the big tech firms as gatekeepers.

Before I get to the heart of the questions that we want to raise, I welcome the announcement by the Chancellor in last week's Autumn Statement that the digital competition Bill is being brought forward this Session. This committee has long campaigned for that, but I just wondered, Minister Lopez, if you would like to reconfirm for the record that the Bill is coming this Session and that the pre-legislative scrutiny phase of it will not be part of the timetable, because we are absolutely keen to crack on with it.

**Julia Lopez:** Thank you very much for inviting me to this session. I always appreciate being in front of this committee; obviously, it is a bunch of very esteemed experts in their fields.

On the digital markets piece of work, I very much agree with you that it should be a priority for the Government, and I was heartened to hear the Chancellor speak of it in the Autumn Statement. DCMS itself is waiting for final confirmation of the legislative timetable, so I am not in a position to provide the confirmation that you want, other than to say that we share your support for this piece of work and look forward to taking it forward.

Q132 **The Chair:** We will work on the basis that it is coming this Session and are grateful to the Government for giving it the priority that it deserves, because we believe that it is not just important but a Brexit benefit, or a Brexit dividend, and one that we should take full advantage of.

As part of this inquiry, we have heard quite a bit of frustration with the Government about a lack of coherence, it is felt, in the approach to the creative industries and, to a certain extent, the lack of priority given to the creative industries and their potential for economic growth. We were interested to note that in the Autumn Statement last week the Chancellor identified five areas for growth but did not include the creative industries in them.

Minister Lopez, I will start with you and then come to your colleagues.

Could you give us a response to the criticism levelled at DCMS of insufficient government leadership in this area? I will then come to Minister Hollinrake, because another criticism we have heard is that BEIS is not as engaged in the creative industries as people think it should be.

**Julia Lopez:** I want to ensure that the committee is under no illusion. The DCMS sees creative industries as a huge priority area. As you will be aware, it generates something like £116 billion in GVA and employs more than 2 million people in our economy. Just to give a bit of context, in 2019, the creative industries area was greater than the life sciences, automotive, aerospace, and oil and gas sectors combined, and the Government have identified it as a priority area, albeit that it was not specifically mentioned in the Autumn Statement last week.

The period we are looking at is the run-up to 2030, and we are drawing up a creative sector vision to try to address some of those concerns about coherence by having a cross-government plan for how we will support, boost and work with the creative industries to generate as much growth as possible. It will look at a whole range of interventions which the Government can make, including skills, UKRI funding, money that DCMS is putting in, and things like tax reliefs. We need to make sure that all these elements are drawn into that plan so that we have that coherent message to the creative industries about the support from the Government on offer to them.

**The Chair:** I appreciate what you have just said about the importance of the creative industries, but the fact that the sector does not get mentioned when other sectors do adds to people's sense that the Government do not take it as seriously as they would expect them to.

You mentioned the sector vision. It was interesting that DCMS announced a package of funding measures—the create growth programme and the creative careers programme—only this month, but that when those announcements were made there was no reference to the sector vision. They might seem like process examples to you, but this is important to demonstrating coherence when people are hearing announcements which, for them, add up to insufficient focus and leadership from DCMS.

**Julia Lopez:** It can be tricky to align all these announcements into one big announcement, particularly when you are trying to co-ordinate a number of government departments. We hope to launch the creative sector vision in January. That will include the create growth programme, which, as you say, is £17.5 million, and we announced the regions for that earlier this month.

We are trying to deal with the question of coherence by having a single document in January, but obviously elements of that document may be announced at different times; tax credits will be announced at a fiscal moment, for instance. In government, you always have to choose whether to announce parts of a strategy at different times or whether to wait and announce it all at once, even if that strategy is not quite ready. At the moment, I am trying to make sure that all parts of that strategy

are drawn together, but it does not preclude announcing elements ahead of that single moment.

**The Chair:** I get that. It is just that there was no connection to the fact that it was coming down the line.

Minister Hollinrake, as I said earlier, we have heard frustration from some of our witnesses about the engagement of BEIS in this area. Is this the first time you have all been together in a room talking about creative industries?

**Julia Lopez:** I can address that. Obviously there has been a bit of ministerial change, but I already have meetings lined up with Minister Halfon and Minister Gibb. I am also co-ordinating a meeting with Minister Freeman on the UKRI aspects of this. That will not be the first time I have had those interactions with ministerial counterparts and other government departments on these issues. It is just that the cast has changed more recently.

**The Chair:** Minister Hollinrake, just to give you an example, there was a suggestion that it takes an awful lot of effort to get representation from BEIS at these events, particularly at the Creative Industries Council. I wondered what you have to say about that.

**Kevin Hollinrake:** Can I just touch on the Autumn Statement first? Although the creative industries were not one of the sectors mentioned, the Statement did talk about the reform of the audio-visual creative release, so there were some announcements on it in the Autumn Statement, which I am sure will be welcome.

As Julia says, Minister Freeman normally deals with this area, but I am aware that BEIS and DCMS officials meet regularly. We look at things like how the British Business Bank programmes support all kinds of entities, not least in the creative sector, of course. The Government are supporting innovation which BEIS has a hand in through the UKRI, such as the £30 million creative catalysts programme. We engage with key external partners.

The creative industry is clearly a huge success for the UK, and it is very important that we prioritise its needs, but there are wider opportunities through many things that we do: research and development tax reliefs, which are very important in the provision of debt finance and which I can talk about at length; the availability of finance through the British Business Bank where people cannot access normal commercial finance; and equity finance through things like the SEIS, EIS and VCT tax reliefs. All these things provide huge support to the creative industry sector, so we also work on it in a more holistic sense right across the piece, which has clear benefits for the creative sector.

Q133 **The Chair:** We will come back to things like tax credits and financing later, and we have quite a few questions on skills that we will get into in detail in a moment.

Mr Halfon, on this question of coherence across government in respect of the creative industries, what involvement has the DfE had in the skills

element of the sector vision? One of the biggest challenges that we know is facing the future of the creative industries is the skills pipeline, which is why we are so pleased to see you here today.

**Robert Halfon:** I look forward to my meeting with my colleague. I have only been in post with my responsibilities confirmed for a couple of weeks now, but it is a privilege to be here, and I really welcome this inquiry.

I have always believed that creative skills were as important as STEM skills. There is a lot of focus on STEM skills, and you cannot have one without the other. The Department for Education co-chairs the creative advisory group with the DCMS, and the strategy is launched from their working with businesses across both departments.

To be straight, I should also say that there are significant problems with skills and the creative industry. Eighty-eight per cent of employers in the creative occupations find it hard to recruit higher-level skilled individuals, compared to around 38% of employers across the economy. Sixty per cent of businesses believe that their reliance on advanced digital skills is set to increase over the next five years. We know that just 4% across the board in the UK have level 4 and level 5 skills, and we are behind international peers in adult technical skills; around 18% of 25 to 64 year-olds hold vocational qualifications. There are significant problems across the board, not just the strategy that I just mentioned.

The Department for Education has set up the Unit for Future Skills, led by Baroness Barran, which is there to look at these problems in micro detail. It has a number of dashboards, and there are the department labour surveys too. On top of that, right from the bottom upwards, local skills improvement plans are being established across the country's 38 geographical areas.

To give a couple of examples, in Sussex and Hertfordshire, the local skills improvement plans are working with businesses and have noted that there needs to be a creative hub, so that will be established. A lot of work has also been done by the predecessor to that, the strategic development fund; an investment in a creative hub in Warrington was made by the Warrington & Vale Royal College, so there is that investment in information. There is investment in infrastructure; we have institutes of technology up and down the country. We will roll out 21 overall, but there are 12 already, and four of those are in the creative sector.

There has been investment in apprenticeships. No doubt we will come on to these areas and will answer more questions on this, but I am just trying to explain that you have investment in data and information, investment in resources and infrastructure, investment in employer-led quality qualifications and investment in careers. Again, working with the DCMS, £950,000 is being invested in careers advice in schools and colleges, and we have our own career programmes that we may come on to later.

**The Chair:** Okay. I will focus on the join-up aspect of this, and then I

will move on. As a former chairman of the Education Committee, you used to have government Ministers in front of you and you are now going back into government yourself. Do you think that the join-up across government and ensuring that the DfE prioritises skills is as good as it needs to be, or is it something that you have to tackle?

**Robert Halfon:** As I mentioned, I have only been there a short time. In my committee role, I feel a bit like poacher turned gamekeeper coming here today, but I absolutely believe that cross-collaboration with departments is essential. Whether it is STEM or the creative industry, we will not achieve anything unless the departments work together, so I will also be working with the DWP on jobs and skills programmes.

Q134 **Baroness Bull:** It was really heartening to hear the Prime Minister put innovation at the heart of his governing agenda yesterday, describe it as “the product of creativity and ingenuity”, and talk about the importance of both knowledge and skills in driving innovation and therefore achieving growth.

We know about the importance of clustering in driving innovation. In a visit last week, we saw for ourselves the success of the creative clusters programme. I should declare an interest here, in that I was part of the original AHRC that approved that, although I take no credit for its success, and its success is significant. I know you will all know these figures, but ultimately there has been £247 million in co-investment from the original investment by the department, 906 funded projects and businesses, 2,290 people trained, and 3,500 jobs created. The success went beyond what anybody expected. It seemed to me that the programme was really effective in addressing the challenges presented by the so-called valley of death—how you get research out of the university and into the sector—and it really enabled collaboration across disciplines.

We know that innovation in the creative industries itself is vital—and thank you, Minister Lopez, for reciting back to us the figures that we normally recite to you about the importance of the sector—but we also know that the creative sector drives innovation more broadly, because it creates new products that are then adopted by business, and it demands more of other sectors. There is this push/pull with the creative industries, by which I mean that investment in creative industries innovation does not stop at the creative industry; it goes beyond. We heard last week that the creative clusters programme is coming to an end, that the funding is not going to continue, and our Chair wrote to UKRI to ask for more information on that and to ask about learning.

I will direct my question to Mr Hollinrake in the first instance. What is your assessment of the value of the creative clusters programme, and how do you see clustering delivering to the innovation agenda which the Prime Minister set out yesterday?

**Kevin Hollinrake:** Clustering is clearly hugely important. It has obviously been responsible for huge successes in innovation generally. I

honestly cannot say that I have specific information in response to that particular question on clustering and the creative clusters programme.

**Julia Lopez:** UKRI has had £100 million funding: £70 million for something called CoSTAR, which was about trying to use virtual reality in production, and £30 million on creative clusters to bring academia, industry and so on together.<sup>1</sup>

We think we have found a bit of funding to tide the situation over for the creative industries. In the meantime, I am keen to meet UKRI to discuss the future of creative clusters. I know that you had Sir Peter Bazalgette in front of your committee this time last week, and I am aware of the letter that has been written to UKRI, which I am very keen to use as the basis of a conversation with them about the future of the creative clusters programme. DCMS agrees that they have been a tremendous success and something that we want to build on.

You are right about that kind of cross-fertilisation. It is not just the creative industries and technology. There are other parts of my portfolio, such as the 5G testbeds and trials programme, which saw us create new visitor experiences with the creative industries using 5G technologies. There is always a large amount of overlap in innovation that sparks other types of products and services. That cross-fertilisation is what makes clusters such an interesting piece of work that has been so successful.

**Baroness Bull:** According to my notes—I look to our clerks here, who always know these things—the original investment across the creative clusters and audience of the future programmes was £95 million. So the £30 million that is being suggested is really quite small in terms of sustaining the success. It was the £95 million that generated the £247 million additional—

**Julia Lopez:** The £30 million was in creative clusters, and the £70 million went to this CoSTAR thing, which was the virtual reality work.<sup>2</sup>

---

<sup>1</sup> *Amended by witness:* UKRI has provided over £100 million in funding for the creative industries announced at the last Spending Review, including the £75.6 million for CoSTAR [[https://www.ukri.org/opportunity/national-capability-for-rd-in-screen-and-performance/?utm\\_source=Creative+Economy+Digest&utm\\_campaign=c4c891bb92-EMAIL\\_CAMPAIGN\\_CET\\_NEWSLETTER\\_NOV\\_2022&utm\\_medium=email&utm\\_term=0\\_d3ffdc59da-c4c891bb92-360452207&ct=t](https://www.ukri.org/opportunity/national-capability-for-rd-in-screen-and-performance/?utm_source=Creative+Economy+Digest&utm_campaign=c4c891bb92-EMAIL_CAMPAIGN_CET_NEWSLETTER_NOV_2022&utm_medium=email&utm_term=0_d3ffdc59da-c4c891bb92-360452207&ct=t)] (EMAIL CAMPAIGN CET NEWSLETTER NOV 2022)&mc\_cid=c4c891bb92&mc\_eid=907211de8c] which is about convergent screen technologies like virtual production and driving innovation and creativity in the UK's creative sector, and £30 million on the Creative Catalyst [<https://apply-for-innovation-funding.service.gov.uk/competition/1390/overview/9f7f78bb-7707-4f09-97a6-d740adef1806>] programme which provides innovation support to creative businesses across the UK.

<sup>2</sup> *Amended by witness:* UKRI has provided over £100 million in funding for the creative industries announced at the last Spending Review, including the £75.6 million for CoSTAR [[https://www.ukri.org/opportunity/national-capability-for-rd-in-screen-and-performance/?utm\\_source=Creative+Economy+Digest&utm\\_campaign=c4c891bb92-EMAIL\\_CAMPAIGN\\_CET\\_NEWSLETTER\\_NOV\\_2022&utm\\_medium=email&utm\\_term=0\\_d3ffdc59da-c4c891bb92-360452207&ct=t](https://www.ukri.org/opportunity/national-capability-for-rd-in-screen-and-performance/?utm_source=Creative+Economy+Digest&utm_campaign=c4c891bb92-EMAIL_CAMPAIGN_CET_NEWSLETTER_NOV_2022&utm_medium=email&utm_term=0_d3ffdc59da-c4c891bb92-360452207&ct=t)] (EMAIL CAMPAIGN CET NEWSLETTER NOV 2022)&mc\_cid=c4c891bb92&mc\_eid=907211de8c] which is about convergent screen technologies like virtual production and driving innovation and creativity in the UK's creative sector, and £30 million on the Creative Catalyst [<https://apply-for-innovation-funding.service.gov.uk/competition/1390/overview/9f7f78bb-7707-4f09-97a6-d740adef1806>] programme which provides innovation support to creative businesses across the UK. Audience of the Future [<https://www.ukri.org/what-we-offer/our-main-funds/industrial-strategy-challenge-fund/artificial-intelligence-and-data-economy/audience-of-the-future-challenge/>] and the

**Baroness Bull:** I am sure the figures are right. What worries me slightly more, and it goes back to the original question, is the lack of awareness in BEIS and our ability—and I say “our”, because we all do it—to keep these things hidden, when actually it has delivered a tremendous amount.

On our site visit, we heard that industry has completely shifted on the back of some of these innovations, certainly in the way things are produced, although not necessarily consumed. There is no going back on some of these technologies, so it is a massive shift. If you could go away and find out more about this programme, if nothing else, I would feel that we had achieved something, because my last question was going to be whether you would consider stepping in to offer it funding on a similar level to what it has had for its first five years in order that it can sustain and test its potential over another five years.

**Kevin Hollinrake:** The right Minister to answer those questions would probably be George Freeman. It is his portfolio. My portfolio is enterprise markets, probably small-business, but that has not been confirmed yet. I tend to deal with slightly different aspects of the work in BEIS, but I am sure lots of very good work is going on in BEIS. Working with Julia, Julia and I have the meeting planned in the weeks ahead. Of course we take this sector seriously. My job is probably more to do with general business challenges, general business support, SME finance, investment incentives. Those are the kinds of things that fall under my policy remit.

**Julia Lopez:** I was going to leap to Minister Hollinrake's defence and make the same point. I have a meeting in the pipeline with Minister Freeman to discuss this, but it would not be the first time that I have made the case to UKRI for the importance of the creative industries as a key area for investment from them. In so far as there are conversations, there are regular conversations between DCMS and BEIS on this.

**Baroness Bull:** Finally, given that the amount that typically goes to arts and humanities research is the smallest of all the funding councils, it is quite a strain for it to take the responsibility for the creative industries, which, as we know, deliver across so many different sectors. This lump of additional funding was so important, because it enabled some big thinking that would not have been possible otherwise. I do not know, Mr Halfon, whether you want to come in on this. The Chair is shaking her head. We will definitely look forward to hearing more on skills in the next questions. Thank you.

**The Chair:** We will move on. Just on the CoSTAR funding, the UKRI website apparently suggests that it was launched in October 2022. I am not sure that it was part of the initial creative clusters funding.

**Julia Lopez:** I think I am lumping it under UKRI funding. That is probably my fault.



**The Chair:** Okay.

**Lord Young of Norwood Green:** I just wonder whether you recognise the role of the BBC in creative clusters. It tends to be a sort of anchor organisation making a significant contribution. Do you recognise that role?

**Julia Lopez:** Of course I do. The BBC has a huge impact across the country, not just in London, in generating that wider creative economy where it makes investments.

**Lord Young of Norwood Green:** Thank you.

**The Chair:** We can come back later to the publicly funded aspects of the creative industries. We move on to skills.

Q135 **Lord Hall of Birkenhead:** It was really interesting that you started off by saying that you recognise the struggle that businesses in the creative sector have in recruiting suitably qualified staff, which is hardly surprising, given what you have been doing. You were really clear on that. We have heard lots of evidence on that, too. We have also heard lots of evidence that skills policies are inadequate and failing to deliver what the creative industries need. You began to run through the things that you were looking at to help this issue, and that was really useful.

I wonder whether you could do the same looking at one particular characteristic of the creative industries: SMEs or micro-businesses, and the freelance sector, which is actually very difficult to get at. We talk about T-levels or apprenticeships and the amount of work experience that you need, but they are quite difficult, if you are a micro-business or whatever, to get into. I wonder what changes or areas of focus you think you need to focus on over the next coming months to help the creative industries, particularly that aspect.

**Robert Halfon:** I will start with the specific and then move to the general point that you made towards the end. It is worth noting that we already fund 95% of small businesses' apprenticeship training. If a small business has fewer than 50 workers and employs somebody aged 16 to 18, they get all that training funded.

In terms of the levy, we have tried to make it easier for small businesses to invest in skills. We have allowed big business to look at the supply chain, using small businesses to place apprentices. The department, just before my time as Minister, also introduced the flexi-job apprenticeship scheme, which is really important, especially in the creative industries, because that means that an agency can opt for the apprentice to place his time and learning in other businesses, but it also allows for portable apprenticeships. Because of the seasonal or temporary nature of some work in the creative industry—freelance work—it enables apprentices, in essence, to get on and off a train, stop at certain destinations, and then carry on to the final destination.

As to the wider point, all the way through there is a pipeline through which the Government are investing in skills, particularly to help the creative industries. You have everything from skills boot camps to T-

levels, the technical level qualifications. We expect to have 16,000 people doing those boot camps. Many of them are in the creative industry, whether it is content creation, TV production or UI/UX Design for Games. We have rolled out a number of digital T-levels, and next year there will be two T-levels—in craft and design, and broadcast and the media—so we have invested in higher technical qualifications. Those are really important, because, as I mentioned at the beginning, just 4% of the country have skills at level 4 and level 5, which is profoundly worrying to me.

There are already HTQs, and there will be design HQs. By 2025, there will be creative and design higher technical qualifications. We have 26 apprenticeships in creative and media. The number of starts has gone up by about 155%<sup>3</sup> over the past year. We have 56<sup>4</sup> apprenticeships in digital, and something like 22,400<sup>5</sup> apprentices are doing those.

As I mentioned before, you have not only the government data, from the Labour Market Survey and the Unit for Future Skills, analysing all these trends, but the local skills improvement plans. I mentioned two regions, Cheshire and Warrington and Sussex and Hertfordshire, where these plans are making a real difference and making sure that there is investment in creative skills at every level, from the top to the bottom.

**Lord Hall of Birkenhead:** Is your aim that every region of England would have a local skills improvement levy?

**Robert Halfon:** There are 38. Those are the figures at the moment. I am not aware of any plans to increase the number, but they are very important. They work with local colleges and chambers of commerce. There are also lots of small businesses involved in those local skills improvement plans, and I have always believed that businesses locally know best.

**Lord Hall of Birkenhead:** Do you think that you almost need to go an extra mile with some of these creative micro-businesses in order to get them to be involved? They are running very hard to stand still. Is it a particularly difficult area to get to and make them aware of all the things that you are offering?

**Robert Halfon:** Absolutely. There need to be campaigns to encourage businesses to employ apprenticeships in STEM and in creative and other areas where we have deficits, especially with the way the world is changing. That is what the data is all about. I mentioned the Unit for Future Skills, which is incredibly important because it can identify where the problems are and where we need to fill them, both regionally and nationally.

**Lord Hall of Birkenhead:** Ms Lopez, I have a question about DCMS's involvement, because you mentioned, completely rightly, that creative industries are part and parcel of your mission. We have heard quite a bit

---

<sup>3</sup> Amended by witness: This should be 162%.

<sup>4</sup> Amended by witness: This figure should be 26.

<sup>5</sup> Amended by witness: This figure should be 18,660.

about the—ugly word—CreaTech issue and that there are too many silos; it is either creativity or it is technology. The interesting way forward is to bring these two things together, which I guess you will have heard from people you deal with. Knowing the creative industries, how much do you get involved in shaping how the education department and other areas in government respond to the needs of the creative industries?

**Julia Lopez:** If you do not mind, I would first like to echo what Mr Halfon says: that skills are a real challenge and one that we acknowledge. We do not think we are there yet. It is a huge drag on growth in the creative industries and it is frequently raised with me by different parts of the sector. It is something that we are trying to address via various initiatives. I co-chaired a board with Minister Halfon's predecessor, Minister Burghart, which was really about trying to dive into some of these challenges in relation to apprenticeships to make sure that they work for the creative industries. There is a particular challenge about the type of work you need in placements and getting the flexibility that is required if you are going to have an apprenticeship that works for young people in those industries.

We have five pilots under way with the likes of Netflix, the BBC and others to try to really understand the challenges, which are starting to come through, such as concerns about commercial sensitivities if you are moving quite frequently between places, scheduling and other challenges like that. With these pilots, we are trying to draw out what those really are, so that the DfE is aware of how they need to tailor creative industry placements to make them relevant to the creative industries.

On CreaTech, we are learning that there is such overlap between the work that is under way on digital skills and the skills that we need in the creative industries. We are working on similar principles to the digital boot camps that have been drawn up by DfE, but I just want to assure you that we have quite a large programme of work under way between DCMS and DfE, which Baroness Bull is now part of because of her work on the cultural education programme that we hope to give you more details on in the new year.

**Lord Hall of Birkenhead:** You mentioned a number of programmes there, and it is really interesting and good to know that those are happening. What is the timescale for learning from those to actually implementing something on a broader scale?

**Julia Lopez:** I will be seeing the BFI tomorrow. We are doing a round table on some of the challenges specific to the film industry, and I suspect that this will be a subject of discussion. We hope to launch the cultural education programme early next year, and we really want to try to turn this out as quickly as possible.

Mr Halfon referenced the T-levels that will be starting in September, and we are having challenges with the work placements for those. These are all issues that we are working very closely with DfE on, but we absolutely acknowledge that we are not where we need to be right now. That is a much broader challenge for the whole of our economy. The picture is very fast-moving when it comes to the skills that a modern economy

needs and the difficulty in creating that pace of change in the education and skills sector, as is getting that link-up between employers and the education sector. DCMS is trying to draw all those elements together and have a much more dynamic education programme, but these are challenging things to try to pull off.

**Q136 Lord Young of Norwood Green:** I congratulate you on your reappointment, Robert, but with regard to the SME challenge, levy transfer still seems to be a bit of a problem. The response I get from SMEs—a bit like Lord Hall said—is, “We have enough trouble surviving”. One of the things you have to help them with is the actual administration. That is what they find a challenge.

I would just like to make one other point to Minister Halfon about getting more people—for instance, women and young girls—involved. Careers advice is really important for getting people who are already in the industry back into the schools and colleges, because peer group influence is enormous.

Lastly, you talk about getting people with skills. There are literally hundreds of thousands of young kids out there who are influencing the gaming environment, and it seems to me that getting them involved and getting them a qualification are areas where you can make a contribution to the skills shortage.

**Robert Halfon:** Thank you for your kind words. It has been a pleasure to meet you over the years and to talk about these issues.

On small businesses, I mentioned in the previous question that 95% of the training costs of apprenticeship are paid. That is a significant amount. If you have a business with fewer than 50 people, the Government will pay all the costs if you take on certain young apprentices. You are absolutely right that there is a problem with bureaucracy, not just for small businesses but across the board. As part of my new role, I am working with the apprentice team in the DfE and the Institute for Apprenticeships and Technical Education to look at where we can cut the bureaucracy to make it easier for small businesses.

People often just talk about the levy payers, and you are right to raise it. The issue is that you cannot just put everything on to big business, because in many areas there is not the capacity to hire apprentices. There is not enough big business to solve the problem.

On careers, you are talking my language. I have what I call the ladder of opportunity in the department. One pillar on the side is social justice and opportunity, and the other pillar is strengthening higher education. I will not go through it all because of time, but the first rung is careers. I have believed for many years, and this is why I am especially glad to be in this role now, that we will not change anything unless we transform careers in our country.

I would like to see much more work experience in schools, all the way from primary school up to secondary school, and I do not mean children working in a company but going to see those companies, businesses or

charities. In secondary school, I would like more work experience where possible. In our colleges, a fair bit of that is done already.

But as far as DfE is concerned, I would like to focus careers advice on promoting skills so that we strengthen the Baker clause. I was very pleased to work with that in Parliament. Pupils need to have at least six encounters in key years with apprenticeship organisations and FE. That is very important, because if we get the creative apprenticeship organisations to go in, that will make a difference.

However, I have always felt that there was a problem. I have met degree apprentices who have not even been allowed to go back to their old school to talk about apprenticeships, because the whole system is geared towards university, university, university, when it should be skills, skills, skills. We offer both options. That is what I am looking at in my role. We have the investment of £950,000 from Minister Lopez's department that I mentioned. We are doing a lot on the Gatsby benchmarks, which you will know about, but I really want to make careers my priority. We will not achieve any of the things we in this room want to achieve unless we transform careers in our country.

**Kevin Hollinrake:** Can I just add to that? Something that joins my and Rob's roles is the Careers & Enterprise Company, which should be far more effective. It is supposed to be the bit that reaches out to businesses and finds out what skills businesses need, and goes to schools and tries to make sure that schools are delivering on those skills needs. It is doing good work, but it needs to do a lot more. We talk to too many businesses that say they have never heard of the Careers & Enterprise Company, so there is definitely a big opportunity there to do exactly what you are hoping to see happen: making sure that businesses' needs, and obviously the creative industry's needs, are fulfilled by what happens in our schools.

**Robert Halfon:** Small businesses are also working on the boot camps, and the other schemes that I mentioned, all the way through the system. We have tried to create an employer-led qualifications system with all the qualifications that I mentioned.

**Julia Lopez:** The creative careers programme that Minister Halfon referenced is just under £1 million. I really hope that it will make a difference locally to my area. We have 53 priority areas for that, including Dagenham. An example of where there is not the join-up at the moment is the big new film studio that we are getting in Dagenham. I had an email yesterday from a nearby resident saying that she is working with the UK ScreenSkills on a make-up course to direct young people into the new jobs that will be coming down the line, but she cannot find the students to take the course up. I very much hope that things like the creative careers programme will help with that signposting, because there is a disconnect at the moment between education providers and the jobs that are actually being created. There is just not a sufficient link-up between employers and educators.

Q137 **Lord Foster of Bath:** Thank you very much. It is great to have all three

of you here. Can I just say, Minister Halfon, how much I welcome what you were just saying to Lord Young about experiences? I am sure you have looked at the work that Lord Baker has done in that field.

We will stay with the earlier years, the school years. I am not sure whether you are aware, but last year one of our committees looking at youth unemployment, the national curriculum and the Ebacc in particular said that they saw the Ebacc as “too narrowly focused to ensure that it prepares all young people for the modern labour market and the essential, technical and creative skills it requires”, and they referenced in particular the creative and digital sectors of our economy, which is what we are looking at here. Witness after witness before us has confirmed that that is also their view. We also have the very clear evidence of the huge drop in numbers of students taking arts and design and technology courses in our schools.

I will just remind you of something you said yourself, Minister Halfon, if I could. You said: “New Ministers have inherited an education system that is at odds with the demands of our modern economy”. Now that you are, as you described yourself, the poacher turned gamekeeper, my question is very simply: what are you going to do about it? Are you, for example, going to add arts and creative subjects to the Ebacc? Are you going to change the Ofsted inspection regime? What are you going to do?

**Robert Halfon:** Clearly the school side of things is the responsibility of the Schools Minister, but I was waiting for my old words to be quoted back at me. I suspect this will happen for the next year or so. What I would say is that there will not be any changes to the Ebacc. The Government believe that the Ebacc should be studied as part of a broad and balanced curriculum. However, an extra £115 million is being invested in arts, heritage and creative subjects in our schools. A music plan came out last year that extends music opportunities for pupils across the board and aids those who want to go into the music industry. A cultural schools plan will come out next year that the Schools Minister is working on. If you look at it across the board, there are still very many opportunities, even outside the Ebacc, to do creative subjects.

**Lord Foster of Bath:** I am sorry to interrupt. Those are all interesting figures, but the evidence we have received from very many people suggests that unless you, as a Government, show that you value the arts and creative subjects, people are not going to follow them in our mainstream schools. You can put the money in there and so on. You want more and more pupils to follow the EBacc, yet you are evidencing a lack of commitment to, support for and interest in showing the importance of arts and creative subjects, because they are not in the EBacc.

How would you respond to that claim? And why is it that, if you look at any advertisement for an independent school, they focus in attracting students on the arts and the creative subjects?

**Robert Halfon:** As I said, there are no plans to change the EBacc.

**Lord Foster of Bath:** Should there be?

**Robert Halfon:** The government policy is that there are no plans to change the EBacc.

**Lord Foster of Bath:** What is your view?

**Robert Halfon:** What I want is more investment in the creative industries in schools, and that is happening. You said, "Well, these are just figures", but £150 million is a lot of money to invest across the board so that students can have more creative opportunities. I would absolutely like to see more students doing creative subjects and creative GCSEs and A-levels. We know that the take-up of computer science has gone up quite significantly at GCSE level, and digital skills, as you know, are very important. Whether it is in the EBacc or not, I would like people to do more creative subjects.

**Lord Foster of Bath:** Okay. I have to say you have not really answered my question as to what your view is, or whether you accept the premise that unless you give them status within the EBacc—if the EBacc is so important you want more people to do it—then we are not really going to achieve very much. Perhaps the other two Ministers might say whether their departments would like to encourage the Department for Education to make changes of the sort I have described. Minister Lopez.

**Julia Lopez:** We are always making the case to the DfE about the importance of the creative industries. The DfE accepts that. There is also a question of a wider perception shift that needs to take place, not just in government but in society, where a lot of parents and young people do not understand the exciting, fulfilling and lucrative careers they can have within the creative industries.

When I was younger, there was very much the sense that you had to go to university, otherwise you would be doing something "less than". There has been a big change in perception, particularly with the rise of apprenticeships and other ways of getting people skills, accompanied by the debt that you accrue at university.

I want DCMS to be part of that wider perception shift. It is still seen as the ministry of fun, but I want it to be understood as the ministry of a major economic growth area, future technologies and all the rest of it. In everything I say in my role as a DCMS Minister, I try to make that case, because it is incredibly important that we do not try to diminish the public perception of what are fundamentally important industries and ones where the UK has a real competitive advantage on the global stage.

**Lord Foster of Bath:** I share that view entirely, and welcome it, but you do need to get your department to put pressure on Minister Halfon's department. Minister Hollinrake, your thoughts.

**Kevin Hollinrake:** As I said before, I would like to see the education system generally be more responsive to industry's needs, be that the creative industries or otherwise. It has been too much of a silo in the past and I am sure Rob will bring a change to that position. As I said before, we need to make far more use of the Careers and Enterprise Company, which comes under the local enterprise partnerships, which are a key linkage between education, skills and business. That can be

very instructive in making sure that young people coming out of school have the skills that are needed by industries, both creative and otherwise.

**The Chair:** I am going to move on because I am conscious of time. I will see whether we have time to return to this at the end, but we will move on to Baroness Rebuck.

Q138 **Baroness Rebuck:** Thank you. I am desperate to talk more about the previous subject, but I will keep to talking about lifelong skills.

You have talked about the pace of technological change. I know you are very aware of it, but pretty much all of our witnesses have said that we need to better upskill and reskill workers in the creative industries. The CBI noted that 80% of the 2030 workforce was already in place so, for them, the situation is urgent. A recent survey of creative employers found that they were less likely than average to train their staff. Perhaps that goes back to SMEs and the number of micro-businesses, but even an organisation such as ScreenSkills, which has a very good training history, tends not to train freelancers as much as the cohort who are in full-time work. On the theme of quoting back to Minister Halfon, I was interested in the suggestion from the 2020 Education Committee report of a skills tax credit to encourage training, so perhaps you can come back to that in a second.

On a more positive note, the recent lifelong loan entitlement has been welcomed by many of the institutions we have heard from, but they have asked for assurance that subjects such as creative art and design would not be exempt. How can the Government make sure that the broader skills needs of the creative industries are discussed with the businesses themselves to be ahead of the curve, not behind it, given the pace of change? I acknowledge this is difficult in itself because it is not just one entity you are talking to but a whole load of small businesses, but how can those needs become priorities in the lifelong learning system?

**Robert Halfon:** It is an important question. The whole purpose of everything that is being done in terms of the qualifications I have highlighted is to make sure it is employer led. I believe, and this is the view of the Government, that the way we change this is to make sure employers are leading. They know best what skills we need, but that has to be backed up by the data.

I keep mentioning the Unit for Future Skills which Nadhim Zahawi, the predecessor to the current Secretary of State, set up. The employers have been designing the apprenticeship standards all the way through. For the most part, they are of higher quality than what went on before. They have been designing the T-levels and the HTQs. You have businesses working to introduce the skills boot camps. I mentioned all the creative industry-side qualifications that are coming through. That is the best way to make sure that employers get involved in this.

Are you talking about lifelong learning or the lifelong loan entitlement?

**Baroness Rebuck:** Lifelong learning, generally speaking.



**Robert Halfon:** Lifelong learning is fundamental to all this. I mentioned the train journey. I believe education should be a never-ending story, but at the moment, not enough people do it—I have highlighted the statistics. There has been a significant decline in adult education over the past few years. The Government are introducing free level 3 courses for adults who have not had a chance to do them in core subjects, such as digital, for example. That will be very important, as will the boot camps and the other qualifications.

I was recycled as a Minister. I was Minister for Skills in 2016 and when I started, I had to approve the apprenticeship frameworks. I thought to myself, “Why on earth is it me who is doing this?” That chain has changed enormously, because the employers have to set up these trailblazer groups. They work with the Institute for Apprenticeships and Technical Education all the way through, and you do not get a qualification unless it is significantly employer led.

I absolutely believe we need to look at incentives for businesses, because there are massive skills gaps. There are figures that show that some businesses are not training their staff in the way that happens in other countries. We are looking at those kinds of incentives and how you can incentivise businesses to do more. That is in reference to the early part of your question.

**Baroness Rebuck:** That seems incredibly important. I have some experience of Germany, where large media groups offer bursaries for up to 50,000 of their creative staff to upskill in some of the latest digital skills that they require.

As Baroness Bull mentioned, we were at Royal Holloway on one of our visits. It was very interesting because obviously they are teaching the students the blended skills we have heard a lot about. It is not just creativity but creativity and technology—the two together—where innovation lies.

We asked about the easiest way to upskill professionals mid-career. Is it easier to graft technology skills onto a creative or vice versa? They were absolutely clear that they would much prefer to have the creative individual who was expert in storytelling and the kinds of skills that are necessary in the creative industries, because they felt you could graft the technology skills—including for new technology, which is changing as we speak—onto that much more easily than training someone in creativity. That goes back to the previous question on education and the importance of creativity as part of the education process.

**Robert Halfon:** You just reminded me of Einstein’s quote: “Creativity is contagious, pass it on.” I went to Germany in my committee role to see what went on and I remember speaking to a business there. They said to me, “We actually give work experience from 14.” A lot of them do this, from 14 or 16 onwards. Funnily enough, they do not have a lot of financial incentives. I said to them, “Why do you do this? It’s incredible.” They said, “What do you mean, why do we do it? It’s part of our culture. It’s what we believe in. We need these young employees because then we can employ them in the future.” I would love to have a similar

culture. You need financial incentives, but we definitely need a cultural change, building an apprenticeship and skills nation in the way that you have described.

In terms of creative skills and technology, I want to see a mixture of both. I do not think it is either/or. I had to appear before another Lords committee, on STEM. We do have a huge deficit in STEM. We do not have enough women doing STEM. I am not saying that this is an official government survey, but I saw one survey which I think was from one of the big consultancies that said that 28% of jobs could be lost to automation and AI by 2030. I mentioned that 60% of businesses are worried about digital skills. So you need to do both. We need to invest in STEM. We need to invest in the creative industries. We need to invest in all the industries in which we have significant skills deficits or problems, especially with the advent of the fourth industrial revolution.

**Q139** **Baroness Rebuck:** I have one final quick question. Many of our witnesses have worried about the extent to which government are joined up enough to actually understand the needs of the creative industries' lifelong skills gap, which comes back to the Chair's original point. You have talked a lot about the early stage. The Creative Industries Council is going to do a vision document that includes skills, but I do not believe the DfE is represented on the CIC.

**Robert Halfon:** What I said earlier is that the DfE co-chairs with the DCMS the creative industry group, which is a significant body.

**Julia Lopez:** I was going to say the same thing. We have a creative advisory group between the DfE and DCMS and industry, and we work on working through some of these challenges. It is something that I previously co-chaired with Minister Burghart.

Separately, the CIC is going to do some skills audits of the different parts of the creative industries, which all have different challenges. That is another aspect of this; it is not a one-size-fits-all project. A very wide range of skills is required, from set design, to being a sparky, to being a specialised film accountant, to much higher-end digital skills. Part of the challenge is trying to address all the different skills gaps, but we need a better understanding of what they are. That is why the CIC is doing these audits, which effectively follows on from what the BFI is doing.

**The Chair:** Thank you.

**Q140** **Lord Lipsey:** You have partly answered the question I was keen on hearing about before, but you might be able to elaborate a bit. We have had a lot of complaints about tax relief, with people saying that our rates of tax relief are lower than in competitor countries and our definition of the creative industries is not as wide as the OECD definition, which allows more things in.

Obviously, we are delighted to hear about the review announced by the Chancellor in his Autumn Statement. Those of us who know the Treasury, however, feel a certain nervousness—I wrote a book on it, so I perhaps know it a bit—particularly since it has clamped down so heavily

on tax relief for SMEs. I understand the reasons for that, but it does not necessarily suggest a positive mindset all round. Are you confident that this will lead to improvements in the tax relief given, and can you give us any hint as to what those improvements might be?

**Julia Lopez:** I cannot really elaborate a great deal beyond what was said in the Autumn Statement about there being review. They are trying to separate some of the R&D tax credits out from some of the other ones, such as the film and TV tax credits. They want to try to clamp down on fraudulent activity at the same time as acknowledging that this is a very competitive environment.

We need to make sure that we are cognisant of what the tax reliefs are in other parts of the world. Let us take the example of high-end television tax relief, which has been a huge success. We have an absolutely booming film industry here, but we have 80% of the cost covered. That leaves 20%, which means that some of the post-production audio-visual stuff is going abroad. That is something DCMS is in discussions with the Treasury about so that we can try to make sure we are not losing important parts of the picture in how the tax reliefs are structured. But I am afraid I cannot sit here as a DCMS Minister and put words in the mouth of a Treasury colleague, as much as I would absolutely love to.

**Kevin Hollinrake:** You are right to say just that. Obviously, in terms of SMEs, the tax reliefs have been made less generous due to concerns about exploitation, but for research and development, the expenditure credit, the RDEC, has been increased from 30% to 20%, so there are some positive views in that announcement. Also, public sector investment in R&D will reach £20 billion by 2024-25, which will have other benefits for this sector.

**Lord Foster of Bath:** I will be very quick because I know time is tight. Intellectual property is clearly crucial for our creative industries. There are some concerns that we are not protecting IP quite as much as we should, for example in the trade deals we are doing. Even back home, we have issues such as the IPO's proposals in relation to text and data mining. As I am sure you are well aware, the proposals to extend beyond just research purposes to other purposes, and indeed to not allow the owners to hold onto it, are clearly deeply worrying. Could you just bring us up to date with the current plans in relation to text and data mining and the reconsideration of the IPO's proposal?

**Julia Lopez:** I understand the IPO is extending its consultation on this. In the meantime, I am going to meet Minister Freeman to talk about some of these challenges. I understand the movement behind it. There are other technologies we need to be competitive in. This was in relation to AI in particular, where you want large data sets to analyse, to develop and understand trends and patterns. This committee and DCMS are very aware that IP is the lifeblood of many creative industry businesses, so we are not convinced of the value of this piece of work. I am fairly confident, in so far as I can say publicly, that this is not going to proceed.

**Lord Foster of Bath:** That is all we wanted to hear. If you make that

decision before we finalise our report, I am sure you will write to us and let us know.

**Kevin Hollinrake:** I will obviously take the concerns that BEIS is not sufficiently engaged with the creative industries back to Minister Freeman, but one of my first visits in my role was to the Intellectual Property Office in Newport. I realise how important this is to the entire sector and it underpins many of the innovations that we see.

**Lord Foster of Bath:** I urge you to look at the proposal in relation to the trade deal with the CPTPP. I will leave you to look at that separately.

**The Chair:** Before we move on to investment, can I just push a little harder on the tax credits? I know that none of you are Treasury Ministers, but I just want to be a bit more satisfied that you understand the problem with the current R&D tax credits regime.

What we have heard is that one of the biggest threats to the future of our creative industries is the competition from overseas. We are good. The UK is brilliant, but there is a big competitive world out there and people look at what we have been doing. They are emulating some of what we are doing and are stealing a march on us in other ways. Some countries have adopted our R&D tax relief for the audio-visuals, but they have done it at a much higher rate than what we are doing, so we have that competitive angle.

Also, not having that broader OECD definition of the creative industries or R&D when it comes to the tax credits is really affecting some of these businesses. We had witnesses earlier on in our inquiry from SME businesses. One told us that his company, a really successful, innovative gaming company, was struggling to scale up. He said that he has technical programmers and artists working alongside each other, but only the technical staff salary could be claimed as R&D. That means the entire team's ability to innovate is limited by the number of artists the company can afford to employ. These are real-world limitations on the success of our own businesses in terms of being able to scale up. From the responses given, I am unclear whether that problem is properly understood and if that case is being made to the Treasury.

**Kevin Hollinrake:** As I understand it, that is exactly what the potential reforms to the audio-visual creative reliefs are supposed to examine. Video games come under the umbrella of those reforms.

**The Chair:** But it is not just video games; it goes beyond that.

**Kevin Hollinrake:** That is the example you cited.

**The Chair:** Yes, but there are two separate things here. There is the audio-visual scheme, which the UK was the first to introduce, but we have not broadened the definition of R&D separate to that in order to capture some of the creative elements of R&D, which are not technical. The consultation on the audio-visual scheme is not on the broader definition. The example I have just given is a business which is not able to scale up because of that narrow definition, which is not, as I understand it, subject to the consultation.

**Julia Lopez:** As you say, it is subject to consultation by the Treasury, and obviously DCMS will be a key part of that. I have been talking to different businesses within my portfolio, to try to make sure the case is sufficiently made as part of that consultation. The Treasury acknowledges that the inclusion of video games in particular has been a huge success; it has contributed to something like £5 billion of spend since its introduction in 2014.

I accept your point about the breadth of the challenge. It goes beyond discrete tax credits for a particular industry; it is also about that overlap. Creative industries move between sectors in a much more fluid way than the tax credit system perhaps acknowledges.

**The Chair:** A witness from the National Gallery raised the same issue, so this is not just about gaming.

Q141 **Baroness Harding of Winscombe:** I want to explore what the Government are doing to improve SMEs' ability to scale up and to remove barriers to that scaling. We have heard several witnesses say that SMEs in the creative sector really struggle to access capital investment, particularly venture funding, that they are not scaling, and that they are much more tempted to sell out early. We have also heard that countries that are nipping at our heels in terms of creative competitiveness, such as South Korea, have a very different, much more structured approach for driving investment support into the creative industries. I want to understand what it is that the Government are doing to support SME growth.

In what I have just described, I could have replaced "creative industries" with a whole series of other sectors, so could we start more generally with what BEIS is doing to support scaling up and then go more specifically to DCMS?

**Kevin Hollinrake:** Given my portfolio, I am probably a bit more comfortable talking about the whole piece rather than just the creative industries, but you are quite right. The UK does have a problem. Among OECD nations, we are first for start-ups, in terms of the number of businesses per capita that start up in the UK, but 13th for scale-ups—the number of businesses that have 10 employees or more after three years.

Part of that is access to finance; there is no doubt about that. Clearly, most of our finance in the UK is provided by commercial entities, be that our high-street banks or the challenger banks. That is a huge success story: 51% of our SME financing is now provided by none of those high-street banks; it is provided by the challenger and fintech sectors.

There are also programmes supported by the British Business Bank, which have been very important in providing start-up loans of up to £25,000 per individual and then scale-up loans which allow you to go for another bite of the cherry. Those schemes have supported 98,000 businesses and provided about £1 billion in financing. We have seen about £12.2 billion of funding in total in terms of the British Business Bank, supporting 96,000 SMEs, regional funds such as the Northern Powerhouse Investment Fund, and others.

A number of debt finance programmes are available. Equity finance is very important too. In the UK, we do not tend to exploit that as much as businesses should. There is good news in terms of the extension to things such as the Seed Enterprise Investment Scheme and the EIS, including the increase in the amount of money that can come from the seed scheme to £250,000. There are also the venture capital trusts and, of course, the tax relief. Again, the Government have announced that they will continue that.

We have many things in our favour in terms of the scale-up of SMEs, but definitely some barriers too, and this is something we need to look at very carefully. That also encompasses things such as business support, of course, and investment incentives. The annual investment allowance was confirmed as being permanent by the Chancellor in his Statement last week. We are doing some good things, but we need to look more carefully at why we have this gap between start-ups and scale-ups. I am keen to make sure that this is part of my work in my new role in BEIS.

**Baroness Harding of Winscombe:** You have looked back on what we are doing. Looking forward, what do we need to do differently or do more of?

**Kevin Hollinrake:** On start-ups and scale-ups, adding a second bite of the cherry into the start-up loans is new. That has just been introduced. The Government have announced new support through things such as the regional angels programme and the regional funds, with about £1.6 billion of new money going into regional funds to expand on the successes of the Cornwall, Midlands and northern powerhouse schemes. There are expansions to existing things that are going well.

Again, the Seed Enterprise Investment Scheme has a new higher limit that has just been announced. That comes in from April 2023. The permanent entitlement to the annual investment allowance is new. A number of new things have been introduced, but nevertheless, we need to look at this again and make sure there are no other things we could do.

In my view, among international examples of best practice in how SMEs access finance, the UK is unique in the G7 in that it relies almost totally on commercial banking for SME finance, be it from challenge or high-street banks, whereas you see regional mutuals being a feature of every other G7 economy. There are other things we need to look at that could change the landscape and improve access to finance for SMEs, in addition to scaling up the programmes we are already delivering.

**Baroness Harding of Winscombe:** Thank you. Can we take this specifically to the creative industries now? I mentioned that South Korea has launched specific, government-backed venture funds to support scale-up in the creative industries. Should we be doing something like that? If not, what should we be doing?

**Julia Lopez:** As you were asking your question, I was thinking that this is a challenge in not just the creative industries but other parts of my portfolio, specifically telecoms—which you will be aware of—where I am

trying to address a similar challenge. We have great R&D in the sector in this country, but our great spin-outs from universities are getting bought up and then the money in innovation is leaving this country, which is something I very much want to address.

On the creative industries specifically, of the £50 million we secured in the spending review that we are putting into the creative industries, a big chunk, about £17.5 million, is going to the create growth programme we talked about earlier, which we launched earlier this month. That is putting money into six regions of the country to help with that scale-up of creative businesses. That started off as a pilot and I saw some of the businesses that were benefiting from it on a visit to Manchester. We were effectively trying to look at those businesses' skills issues, trying to get them access to investors and networks, and then trying to get them the finance to help them scale. So we have a specific programme about trying to scale up creative businesses as an intervention.

**Baroness Harding of Winscombe:** Thank you. Very specifically, we have also heard witnesses tell us that it is really confusing to navigate this space. I wonder if you could help us to understand the differences between a number of these schemes. I might get these wrong, but I think there is the creative scale-up programme, which is separate from the create growth programme.

**Julia Lopez:** I also have a challenge with these names. They all sound the same to me but one has merged into the other, I think. The scale-up programme was the pilot for what is now the create growth programme. If I am wrong, I am happy to write to you and correct myself.

**Baroness Harding of Winscombe:** It would be brilliant if you could. The very fact that you are not sure, and it is your brief, means the chances of a small business with fewer than 10 employees looking to drive growth and scale up knowing where to go feel slim to vanishing if we are not careful.

**Julia Lopez:** I accept that criticism.

**Kevin Hollinrake:** In terms of this specific sector, although we have a very successful venture capital sector in the UK, where there are shortfalls, the British Business Bank has put £5 billion in to try to fill the gap. That has financed things such as the enterprise capital funds programme. The bank acted as a cornerstone investor through the programme, which is £50 million in funding to edge investments, which invest significantly in the creative sector.

Q142 **Baroness Featherstone:** I will ask my question to BEIS first, if I may, and then come to Minister Lopez. What is BEIS's assessment of the economic value that publicly funded arts organisations deliver to the United Kingdom?

**Kevin Hollinrake:** I do not have access to that information; I apologise. I am not the Minister in BEIS for the creative industries, but as I committed to earlier, I will make sure we take the message back that

you do not feel there is sufficient engagement between my counterparts, my fellow Minister and yourselves.

**Baroness Featherstone:** Do you happen to know if BEIS actually has an assessment of the economic value?

**Kevin Hollinrake:** I am sure it does, but it has not been included in my brief. I felt I was coming to talk about business support more generally, so I apologise for not having the information at hand.

**Baroness Featherstone:** I will move on to Minister Lopez, who I feel, from my little knowledge of those who come to this committee, is a genuine advocate of everything I believe in. What is your department's assessment of the economic value that publicly funded arts organisations deliver to the United Kingdom?

**Julia Lopez:** Goodness, that is quite a specific statistic; I will have to write to you with it. Obviously, everything the department does is done on the understanding that our public arts make an enormous contribution. We have put a large amount of money into that. We have the ACE funding that is effectively DCMS funding. We provided the sector with an enormous amount of support through the pandemic on the basis that it met its economic contribution. It is absolutely vital. It goes far beyond just the economic aspects and into the social space. I will write to you with that statistic; I do not want to pull one out of my head.

**Baroness Featherstone:** There must be one, because we have the creative clusters and the economic value they pull in. I would appreciate that information.

**Julia Lopez:** The creative industry as a whole represents something like £116 billion of GVA.

**Baroness Featherstone:** I know. You opened by talking about the Autumn Statement, saying that the creative part of it was left out. If you are left out of that, government priorities and the EBacc, can you see how it begins to paint a picture to me as a committee member that priority is not being given to the creative industries or, given the economic argument you made in your opening remarks, that people are not getting that message? There is a question around messaging from the Government, as well as them putting their money where their mouth is.

Turning to the second part of my question, do the Government have plans to better quantify? We heard quite a lot of evidence that there is value other than economic value in publicly funding an arts programme. Do the Government have plans to better quantify civic value and the use of this in future policy-making? We heard from a number of witnesses of the value it gives in health, mental well-being, community cohesion, place-based improvements and all those sorts of things. How are you measuring that?

**Julia Lopez:** I do not want to fail to answer your question again, but the civic value side of things is covered by Lord Parkinson. This is certainly a big strand of work within government.



Just to address your concern, the creative industries are identified as a high-growth sector and part of the build back better plan. While I appreciate your concerns about the Autumn Statement, I do not think you should have concerns about the Government's commitment to them. We will be publishing our creative sector vision shortly.

Civic value has been very much a strand of the key work of Michael Gove in the Department for Levelling Up, Housing and Communities on how DCMS and its work is key to place-making across the country. That was implicit in the recent Arts Council England funding announcement. We are trying to make sure more communities beyond London have access to that arts funding because we believe it plays such an important role, not just economically but in terms of that social sense of belonging and the wider value that people get from the creative industries.

**Baroness Featherstone:** You were just given a piece of paper. Do you want to look at it?

**Julia Lopez:** Oh, was I? Goodness me.

**Baroness Featherstone:** If it is relevant, feel free to add it on.

**Julia Lopez:** Well, it basically says what I have just said, which is that this is a cornerstone of levelling up.

**Robert Halfon:** I would just like to mention something on schools that I possibly should have mentioned earlier. It is worth noting that the GCSE that has had among the highest increase is art and design. Over the past few years it has gone up from 27% to 30%. As I said, my key aim is to have as many pupils as possible doing creative subjects.

**The Chair:** In conclusion, on that last question, please do send us the actual hard data that you have, but what we were looking for was a sense of the importance of some of these publicly funded institutions as anchors and important magnets for clusters around them—that sort of thing. There is a whole lot of benefit from them and we wanted to understand how the Government perceive that.

**Julia Lopez:** I failed to mention the cultural and heritage capital programme. That is led by my colleague, Lord Parkinson. I have failed to do him justice, but I assure you there is work under way in this area.

**The Chair:** Okay. I am really grateful to all three of you for being here. We did provide the headline questions to your offices in advance, so I would just say to Mr Hollinrake, as much as I understand your discomfort in having to answer questions that you feel are more appropriate for Minister Freeman, when you get back to the department, you might want to ask your officials why they did not prepare you better for this hearing.

All that said, one thing that has been important for us in bringing the three of you together is to emphasise, through the inquiry we have been conducting, just how critical it is that there is cross-government working in this area. We also wish to emphasise, as Minister Lopez said at the start, that the creative industries are incredibly valuable to our economy and our national life, and are bigger than many other sectors that seem to get mentioned and be given greater attention by the Government.

If we have been able to reinforce that message back to all three of you through our questions, I am grateful to have had the opportunity to do so. We very much hope that as a result you will take on board the need for greater collaboration and coherence. Clearly, when we publish our report, it will include recommendations that we hope you will take seriously. We will very much look forward to your response. I will now bring this session to a close and say thank you again.