

Creative Industries Federation

Response to call for evidence from Treasury Select Committee
Monday 23rd March 2020



The Creative Industries Federation is the independent body which represents, champions and supports the UK's creators and creative industries. Its membership includes small and large businesses, charitable organisations, education providers, freelancers, trade and sector support bodies from across the sector and throughout the UK. In September 2019 the Creative Industries Federation and Creative England announced their intention to formally unite.

Coronavirus is not only a health crisis but an economic one. A Creative Industries Federation survey last week, which received more than 3,300 responses, found that 73% of creatives have reported a decrease in income through the impact on ticket sales, products, sponsorship, client commissions, freelancer fees, and shoots. 60% of freelancers estimate that their income will decrease by over 50% in 2020, and a snap poll on Twitter showed almost 50 per cent of freelancers have already had 100% of their work cancelled.

Supporting the sector through this challenging time is key for the future health of the UK economy and we urge the Committee to recommend to government the following two proposals:

1. Ensuring Access for Creative Businesses: Coronavirus Business Interruption Loan Scheme
2. A Temporary Income Protection Fund for the Self-Employed

KEY STATISTICS

- The creative industries contribute £111.7bn in GVA to the economy which is larger than the aerospace, automotive, life sciences and oil and gas sectors combined.
- Almost 1 in 8 UK businesses are creative businesses and the sector is creating jobs at three times the UK average with an expected one million more jobs by 2030.
- The creative industries are growing at five times the rate of the UK economy as a whole.
- 34% of creative workers are freelancers and in some sub-sectors the figure is much higher, such as 50% in film and video production.
- 95% of creative enterprises are micro businesses with no or limited HR support or financial headroom to manage the costs and bureaucracy of interactions with the immigration system.
- Creative businesses represent over 5% of the UK economy and are responsible for more than 10%, or £27 billion, of the UK's annual service exports.

1. Ensuring Access for Creative Businesses: Coronavirus Business Interruption Loan Scheme

Problem:

We know that the existing Enterprise Finance Guarantee (on which CBILS has been modelled) has not reached the creative industries in a fair, proportionate way. A 2011 BIS select committee concluded: “It is therefore unacceptable that the creative industries sector...is effectively being excluded from this avenue of funding.” Although the British Business Bank has put in place very helpful measures to broaden the reach of the scheme, making use of those measures remains at the discretion of the lenders. Of the 40 currently accredited lenders, none are creative sector specialists. The eligibility criteria also stipulates that businesses will need to generate more than 50% of their turnover from trading activities to apply, which excludes many charities. We need to make sure that organisations of all types in the creative industries sector can access the financial support that the Government is making available to help them to weather the COVID-19 crisis and are not side-lined as ‘high-risk’.

There are a number of **practical solutions** that could help to achieve this:

- The British Business Bank should work with existing accredited EFG lenders to ensure they are fully receptive to approaches from creative industry businesses.
- British Business Bank, BEIS and DCMS should urgently explore options to engage and then accredit more, creative industry specific intermediaries to help the sector access CBILS.
- Eligibility should be extended to include charities.
- Creative sector support organisations, like the Creative Industries Federation and trade, membership and sub-sector support bodies from across the creative industries should be resourced to make tools and advice available to creative businesses, giving them the skills to make robust finance applications.
- The British Business Bank should make available data on the take up of CBILS by size and sector of business, so they can monitor how well it is being accessed by all sectors, including the creative industries.

Emergency grants:

But CBILS on its own is not a solution for all creative organisations in need of support - many small businesses do not want to get into a debt position and many venue-based organisations in the creative industries need *immediate* help. Feedback we are receiving from across the sector shows that most businesses only have operating reserves for 6-8 weeks and many had far less. For these businesses, a smaller amount of cash grant is preferable. Local councils and LEPs want to offer cash grants announced by the government to viable and trading businesses in their boundary, however, they will be doing this via the rates system. Many creative businesses work through serviced offices (including virtual offices and co-working spaces) or from home or are registered charities: so there is a real danger that again they will fail to be supported by government mitigation and may also ultimately be liable for high-rent payments. Work with Local Authorities, Combined Authorities, LEPs and the sector to create a cash grant scheme that is accessible for all creative industry businesses, particularly those who do not pay business rates and are therefore ineligible for the current LA schemes. The Creative Industries Federation/Creative England, alongside other sector specialist bodies with strong reach across the sector, could provide a delivery mechanism for such a grant scheme.

2. Temporary Income Protection Fund: Self-Employed Workers

There must be a dedicated source of direct income support to compensate the self-employed for lost earnings due to COVID-19. A Creative Industries Federation survey last week revealed that 60% of creative freelancers estimate that their income will more than halve in 2020 due to the coronavirus outbreak, and almost 50% of freelancers who responded to our snap twitter poll have already had 100% of their work cancelled.

To support the self-employed both now and through the coming months, an emergency fund is urgently needed that gives a time-limited and carefully targeted cash grant to the self-employed workers and freelancers that need it most.

Such support should be based on average existing earnings of the individual in order to ensure that they can minimise disruption to their lives and meet existing costs and obligations.

Other European countries have put in place similar schemes, e.g. Norway has guaranteed temporary income protection of 80% of average self-employed earnings from the past 3 years up to NOK 600,000.

We propose a government fund of £15bn to provide all full and part-time self-employed workers a monthly income matching their average existing earnings, over the past three years or as far as recent records allow.

- The minimum monthly income to be the Real Living Wage after the basic rate of income tax (£1100 a month approx.)
- The maximum monthly income to be average UK earnings after the basic rate of income tax (£2000 a month approx.)
- Consideration in the calculated amount for those who have had to take leave (e.g. maternity) and provisions for those who have also been employed to make a full and fair claim.

This fund would operate:

- Administered by HMRC, DWP and BEIS and backdated to the start of the crisis - March 1st
- With government using the payment on account system for bi-annual business reporting and working with financial institutions to trace and calculate incomes where possible
- With the self-employed generating self-certification of income loss via historic banking data and submitting tax-records if necessary - FinTech solutions for the former include Covid Credit
- For an initial period of 3 months with the potential of extension and further money provided if necessary
- The amounts payable should be subject to ongoing review to maintain the most appropriate level of support for freelancers at this difficult time

The proposed Temporary Income Protection Fund for Self-Employed Workers was drawn up in partnership with IPSE, and is supported by the following representative bodies from across the creative industries:

AIM
Animation UK
Arts Council Wales
Association of British Orchestras
Association of British Theatre Technicians
Association of Photographers
AudioUK
BAPLA
Bristol Media
British Arts Festival Association
British Association of Screen Entertainment
British Beauty Council
British Fashion Council
British Fashion Models Agents Association
British Institute of Interior Design
Crafts Council
Creative United
The Cultural Capital Exchange
DACs
Design Council
Digital Entertainment Group International
Directors UK
Federation of Scottish Theatre
Film + TV Charity
Guild HE
Guild of Media Arts
Independent Cinema Office
Independent Publishers Guild
ISM
Music Education Council
Music Managers Forum
Music Producers Guild
National Rural Touring Forum
OneDance UK
Publishing Scotland
Scottish Book Trust
Scottish Contemporary Art Network
ScreenSkills
Society of Authors
Society of British Theatre Designers
SOLT/UK Theatre
UK Music
UK Screen Alliance
UKIE
Wales Arts International
Welsh Independent Producers - TAC
York UNESCO Creative City of Media Arts