Written evidence submitted by the Creative Industries Federation (COV0075)

COVID-19 – Impact, Restart and Recovery

The creative industries will be integral to the UK's social and economic regeneration. They are:

- A driver of economic growth - previously growing five times faster than the wider economy and in all parts of the UK. They are ready to lead us out of recession.
- Job-creating - creating jobs at three times the UK average prior to the outbreak, and providing education and training for young people up and down the country.
- A vanguard for the future of work and industry - resistant to automation, built on innovation and with a high number of agile and entrepreneurial freelancers and small businesses.
- The essence of 'brand UK' - driving tourism, exports and enhancing our soft power abroad.
- Instrumental in bringing communities together and fundamental to the nation's mental health.

But the fallout from the pandemic is hitting the creative industries hard, putting the UK's world-leading creative output and the most vulnerable at risk:

- The creative industries are on a knife-edge - thousands of creative businesses and jobs have been lost, with more projected to follow, across all parts of the sector.
- The impact on the regions is projected to be greater still, representing a major setback in terms of the levelling up agenda.
- This is despite government support measures, which although very welcome, have exposed gaps that have left many freelancers and small organisations unable to make ends meet.
- Those reliant on audiences and footfall will continue to find it challenging to resume operations, adapt their venues and workspace, and encourage consumers to return when safe to do so.

The Impact of COVID-19 on the UK's creative industries[1]

- Prior to the outbreak, the UK's creative industries were **set to contribute £122bn in GVA** to the UK economy and **reach employment levels of 2.15 million** by the end of 2020.
- Instead, the **sector's GVA is estimated to reduce by £29bn (25%)** in 2020 compared to pre-pandemic levels. This is twice as worse as the predicted 12.8% drop across the UK economy.
- **406,000 jobs (including self-employed workers) are expected to be lost** by the end of 2020 - a drop of 19%. This is the lowest level of employment in the sector since 2013.
- **119,000 permanent workers are expected to be made redundant** by the end of the year.
- **The impact on employment will be twice as worse for freelancers** with 287,000 contracts estimated to be terminated by the end of 2020.
- Of all UK nations and regions, **Scotland is expected to suffer the worst GVA impact** on its creative industries, with a drop of 39% by the end of the year.
- The **West Midlands is anticipating the highest relative loss of employment** in the sector - a 43% loss representing 51,000 jobs.
- **London is projected to have the worst overall impact** - losing 109,800 creative jobs (16%) and seeing a £14.6 billion (25%) drop in creative industries GVA.

[1] https://www.creativeindustriesfederation.com/publications/report-projected-economic-impact-covid-19-uk-creative-industries

As we look to restart and recover, we need to learn the lessons of the 2008 financial crisis:

- New research by Cambridge Econometrics, released by the Creative Industries Policy and Evidence Centre and Creative England, reveals that prior to the last recession, the creative industries were growing in all parts of the country - urban and rural - but under economic duress, those burgeoning clusters shrunk, and concentration focused back on London and satellite clusters in the South East.[2] A significant opportunity for job-creation and growth in all parts of the UK was lost. **Leaving recovery to the market will entail a major setback in the levelling up agenda: UK-wide, devolved and local interventions are needed to ensure opportunity and wealth is spread more evenly.**

To maximise the creative industries' ability to contribute toward the UK's social, cultural and economic regeneration, any interventions must account for the sector's unique characteristics:

- The creative industries are a diverse and interdependent ecosystem made up of majority micro-businesses (95%) and a significant freelance workforce (one-third of workers). They are highly innovative, entrepreneurial and agile, with an intangible asset base - an archetype of future industries and the future of work.
- However, previous and recent policy measures have penalised rather than incentivised future industries like ours:
  - Following the 2008 financial crisis, interventions such as the Regional Growth Fund were designed with more traditional models of industry in mind, rendering crucial finance and business support measures inaccessible for many small creative businesses.
  - This approach has been reflected in more recent policy-making, such as the Apprenticeship Levy, which is not tailored to the short-term project-based nature of much work that takes place in the creative industries.
  - It has also in part been carried forward into the design of government's COVID-19 support measures, which has meant that large parts of the creative industries have fallen through the gaps - particularly certain self-employed workers and creative organisations unable to access mainstream loans due to lenders' lack of understanding of businesses based on IP.
- **We now have an opportunity to work hand-in-hand with government to ensure interventions to support recovery are tailored to future industries like ours.**

In the meantime, an urgent industry-led Cultural Renewal Strategy is needed:

- **A Cultural Renewal Fund:** Alongside the Cultural Renewal Taskforce, a targeted government stimulus package should be introduced for those who need it most, particularly those unable to operate whilst social distancing is in place. Other countries, including Germany, Belgium and New Zealand, have already introduced such support.
- **The avoidance of a cliff-edge on vital support schemes**, including the Job Retention Scheme and Self-Employed Income Support Scheme.
- **A plan to place the creative industries at heart of socio-economic regeneration:** We can build a new future, built on innovation, inclusivity and brilliant ideas. Creativity - and the creative industries - need to be placed at the heart of this. The Federation is undertaking a major consultation with its members to emerge with industry-led solutions.

[2] https://pec.ac.uk/policy-briefings/the-importance-of-a-uk-wide-recovery-plan-for-the-creative-industries

Creative Industries Federation

Impact of COVID-19 on the creative industries

Summary

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, which was in the field between March 27th and April 2nd and received nearly 2000 responses, found that 45% of all respondents would run out of reserves within the next 12 weeks and 62% of all respondents are facing considerable or very considerable cash flow issues. 62% of freelancers/self employed and 42% of all organisations estimate that their monthly income/turnover has decreased by 100% since the outbreak.

In these challenging times, government support has been invaluable and has helped both the sector's employees and self-employed as well as business and charities through grants, loans and wage support. However for some, government support has not been comprehensive, putting at risk vulnerable communities such as for those operating as limited companies contractors and PAYE freelancers. There are also weaknesses in the accessibility of existing business support measures, such as the narrow sectoral definitions for grant eligibility and a lack of flexibility for early-stage businesses.

The outbreak has had a huge impact on the creative industries, but they have mobilised quickly in response to the pandemic, introducing emergency funds, repurposing support programmes, helping the most vulnerable in society, and identifying new ways of working and securing revenue.

Some creative organisations and individuals are now able to 'get back to work' under the government's new guidelines, but for many - particularly those reliant on live events, footfall, visitors, customers and audiences - this will not be possible for a long period of time. This will also be the case for those further down the creative supply-chain, such as those in VFX and post-production who will be awaiting new contracts. In a recent Federation survey, 57% of respondents reported that they would only be able to restart half or less than half of their activities under social distancing measures.

A gradual and sectoral return to work must therefore entail a tailored and sectoral approach to government support. A one-size-fits-all model is no longer suitable, and will only ensure the fittest survive. The diversity of our sector's ecosystem is a huge strength that our economy and society cannot afford to lose.

This submission is split into two sections:

Return to Work - Innovation and Challenges, Page 4 - which outlines how our creative industries have innovated in this time of crisis and the challenges many will face as they 'return to work'.

Income and Business Support, Page 23 - which highlights to what extent government schemes have mitigated the impact of the outbreak on the creative industries and where gaps in support still remain.

THE UK'S CREATIVE INDUSTRIES - 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.
- 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.

Return to Work - Innovation and Challenges

Prior to the outbreak, the UK's creative industries were growing at five times the rate of the economy as a whole, generating £111.7bn in GVA and exporting £46bn in goods and services. The sector employed over 2 million people, working alongside a significant and diverse freelance workforce. The boundless creativity of individuals, families and communities throughout the UK during lockdown is also testament to its vital social and cultural contribution - a contribution that, alongside our economic recovery, will be all the more crucial as we look to mitigate the impacts of high unemployment, overcome socio-economic divisions and enhance the wellbeing of the country.

The outbreak has had a huge impact on the creative industries, but they have mobilised quickly in response to the pandemic, introducing emergency funds, repurposing support programmes, helping the most vulnerable in society, and identifying new ways of working and securing revenue. Some creative organisations and individuals are now able to 'get back to work' under the government's new guidelines, but for many - particularly those reliant on live events, footfall, visitors, customers and audiences - this will not be possible for a long period of time. This will also be the case for those further down the creative supply-chain, such as those in VFX and post-production who will be awaiting new contracts. In a recent Federation survey, 57% of respondents reported that they would only be able to restart half or less than half of their activities under social distancing measures.

As a sector made up of majority micro businesses that are agile and lean, following the guidelines will incur costs and insurance fees that are beyond their means - and even more so now given the depletion of reserves. And as a diverse ecosystem of large and small businesses and freelancers that rely heavily on each other for work, the nature and timing of restarting or getting to a place of financial stability will be out of their hands.

A gradual and sectoral return to work must therefore entail a tailored and sectoral approach to government support. A one-size-fits-all model is no longer suitable, and will only ensure the fittest survive. The diversity of our sector's ecosystem is a huge strength that our economy and society cannot afford to lose. This has been recognised in other countries emerging from lockdown - for example, in Belgium, grant support has been made available for SMEs and self-employed workers to support those currently unable to operate or return to work at all due to social distancing measures, with a higher level of support for those in the creative industries, recognising the unique challenges faced by many across the sector.

The Chancellor's extension of the Job Retention Scheme (JRS) through to October is welcome, as is the ability to furlough on a part-time basis. Likewise, the Bounce Back Loan Scheme (BBLS) and targeted grants, albeit partial, have been a valuable lifeline for the most vulnerable. For many across the creative industries, the JRS and additional targeted support measures will be needed for those simply unable to get back up and running, and to help others restart where they can, through to the Autumn and beyond.

Given the diversity of the sector, key trade and sub-sector bodies are proactively drawing up tailored guidelines for employers and workers in close collaboration with UK and devolved governments. Working hand-in-hand with government in a similar vein to ensure support measures are both tailored and proportional will be vital in the days, weeks and months to come.

RECOMMENDATIONS

The boundless creativity of individuals, families and communities across the UK during lockdown is also testament to the role it can play in restarting, recovering and regenerating the nation. We will want to maintain the spirit that has bound us together and eradicate the socio-economic divides that risk setting us apart. Our creative industries recognise that they must be central to this national effort, and will be setting out a plan for longer-term and systemic recovery in the weeks ahead.

In the meantime:

1. **Through the new COVID-19 Roadmap Taskforces, industry and government to ensure the tapering of support measures are tailored and proportional, particularly for the many who will experience a late return to work.** The extension of industry and government support measures including the Bounce Back Loan Scheme (BBLS), business reliefs and grants in the four nations, and the Job Retention Scheme (JRS), Self-Employment Income Support Scheme (SEISS), and other relief funds, will be vital to restarting and recovering the sector. Additional sector-specific grants could be delivered through the mechanisms that UK and devolved governments have already put in place, such as the recent Discretionary Fund, to ensure funding reaches those most in need. Relief from any employer contributions to the JRS for these sectors should also be considered.

2. **Ensure continuation and parity between the Job Retention Scheme and Self-Employment Income Support Scheme.** The extension of both income support schemes is welcome. However the self-employed will lose support three months earlier in August than the employed in October and during this time will receive 70% of their average earnings rather than the 80% received by employees. It is key that support is continued in a proportional manner for all those who will face challenges in resuming their full levels of activity for some time to come.

3. **It remains imperative that gaps in existing government support measures are plugged.** Many across the creative industries have made emergency and relief funds available for this purpose, but it's clear that there is still a market failure. More targeted funding and support is needed to

ensure the most vulnerable do not slip through the net, particularly for those with a later return to work. Details on these gaps and recommendations for how they could be plugged are covered in the second section, Income and Business Support, on page 25.

4. **Industry and government - UK and devolved - to work in close collaboration on tailored workplace and worker guidance.** The Screen Sector Taskforce coordinated by the British Film Institute and British Fashion Council are among those who have already started this work. Further support on how to implement the guidance should also be provided for small organisations.

5. **Government to work with industry and insurers to ensure comprehensive insurance cover is available and affordable.** The inability to get appropriate insurance cover may make it impossible to finance a return to work and new projects. It is key that government engages with those sub-sectors that are working to develop mechanisms that would help mitigate this.

6. **Government to make available targeted grants to support a safe return to work for SMEs and individuals.** The investment needed to ensure the safety and workability of working environments will be beyond the means of many small organisations and individuals, which is preventing them from getting up and running and maximising commercial opportunities.

7. **UK Research and Investment (UKRI) to support innovative approaches to getting back to work and digital engagement with customers and visitors, targeted to those without the capital to invest in equipment and take on risks.** New ways of working (including the ability to operate from home), engaging audiences, consumers and clients, and delivering services should be supported, with a particular focus on cash-strapped SMEs.

8. **Industry and government - UK and devolved - to work on public-facing campaigns to encourage audiences, footfall and custom when appropriate and safe.** Cinemas have started working up public-facing campaigns in preparation for a potential return in "phase 3". Such campaigns must be aligned with the recovery plans outlined by the devolved nations and with strong buy-in across government and industry to ensure clear messaging to the public.

9. **Industry and government to consider how financial incentives can be used to effectively restart and recover our world-leading sector, both on a temporary and permanent basis.** Some sub-sectors in the creative industries are already proactively modelling how new initiatives introduced either on a time-limited or more permanent basis may help the sector recover to drive inward investment as the UK re-enters the global market.

10. **Department for International Trade (DIT) to repurpose trade missions and support the repurposing of trade fairs looking to facilitate commercial opportunities online.** DIT should also allow for flexibility in export support programmes, such as the Tradeshow Access Programme (TAP), to ensure they are fit for purpose as we look to restart.

11. **Ensure temporary movement and long-term migration routes are made more flexible and cost-effective for organisations and individuals prior to leaving the EU.** When travelling is possible, the ability to move temporarily into and out of the UK will be vital for many across the sector to get back to work. Attracting skilled and talented employees easily will also be vital

to ensure the UK does not lose its competitive edge. As the UK leaves the EU, we must ensure ease of movement for those delivering services across multiple countries and that any points-based system recognises the qualities needed by industry to succeed.

12. **Ensure the rights of UK intellectual property holders are protected in free trade negotiations.** It is vital that we maximise the UK's creativity and increase exports to support growth during the period of recovery from the outbreak and beyond. This will only be possible if we maintain the strength of the UK's gold standard IP regime to provide confidence for businesses and freelancers to create new and innovative products and services.

New Ways of Working: Innovations across the sector

Creators and creative organisations throughout the UK have been modelling, piloting and implementing new business models and ways of working, harnessing digital or a blend of digital and physical solutions to produce content and engage audiences, consumers and clients. Targeted and effective means of supporting each other and the most vulnerable in society has also been at the heart of their thinking. Incentivising and supporting such innovation will be vital as the sector gradually returns to work.

New ways of doing business

Case Study: Hay Festival - transitioning to a digital offering

"We've always sought to extend Hay Festival through broadcast media in partnership with the BBC and Apple, so we are fortunate to have some experience of streaming and established platforms like Hay Player. The moment that we knew how serious the Covid crisis was, we started to think about activating plans to extend this digital offering that we'd been mulling for 18 months or so. The issue for us was timing. The cancellation came the very week that we were going to launch the programme, so we had huge obligations to partners and contractors and writers and audiences. It came at the very moment of maximum financial exposure.

We wanted to survive, to keep the company together and viable. And we have obligations to the thousands of people who've donated to our GoFundMe campaign and to the writers and publishers we've worked with for 35 years. The greatest discovery is people's willingness to try something new, the greatest challenge is time, as always. Writers have embraced the idea enthusiastically. They are communicators at heart and this is a new medium for them too. And many of our 2020 sponsors were happy to transfer their support for our physical festival over to our digital one.

The early figures from this weekend suggest people have embraced the digital sphere with gusto. We have festivals around the world, so we are well placed to engage an international audience, and data capture and social media suggests that new people who have never made it to Wales are signing up to the crowd-cast platform to tune in."

Case Study: Frieze New York and London - putting exhibitions online

Frieze New York normally takes place on Randalls Island in Manhattan where some 300 contemporary art galleries from around the world exhibit some of their newest and most exciting art. Sadly this year - due to COVID-19 - they have had to cancel it.

Following the cancellation of their New York art exhibition, Frieze gave galleries the opportunity to display their art in an online viewing room. This online exhibition ran across the same dates as the Fair itself (6th - 15th May). To bring the digital fair to life, the digital platform included a huge amount of unique and relevant content. Each of the gallery sections were explained and introduced by well known curators on video. There were live and pre-recorded interviews with artists and collectors and a number of museums provided exclusive video tours of some of their exhibitions.

Frieze London and Masters is due to take place in November in Regents Park. Whilst they hope that the online viewing room will be a supplement to, rather than a replacement of, the real fair, they have planned an adapted event, incorporating the digital technologies that made the New York event successful.

Case Study: Science Museum, Natural History Museum and Factory 42's Dinosaurs & Robots Exhibition - repurposing UKRI's Audiences of the Future Fund

A ground-breaking partnership had been set to launch a new walk through immersive experiences with Dinosaurs and Robots in the Natural History Museum and Science Museum this summer. It is now being rapidly reshaped to deliver augmented reality apps for audiences at home, in the UK and internationally, with a particular focus on families and children.

Funded by UK Research and Innovation's Audience of the Future Challenge fund and led by immersive content studio Factory 42, the consortium also includes the Almeida Theatre, Sky and mixed reality technology firm Magic Leap. The long term intention to combine immersive theatre with interactive digital worlds in iconic locations remains but Covid-19 means that in the short term the focus will be on delivering apps that bring entertainment and education to families at home, encouraging them to explore, build and play games that combine STEM skills and creativity using mobile technology.

New ways of supporting each other

Case Study: National Theatre Wales - supporting the wider creative sector

National Theatre Wales is developing a set of initiatives to support the Welsh creative sector. This involves supporting the fragile freelance and independent sector, partnering with those community and professional arts venues facing the most immediate and existential crisis, and engaging in strategic cooperation with the major producing and presenting organisations to join up innovation around hybrid digital and live events.

To do this they are:

- Delivering a round of digital commissioning for 'Live' projects using pre-existing technologies and platforms while disseminating our learning on producing and production practices to the wider sector. This has a cash cost of under £100k and is delivered in partnership with Theater Genedlaethol, Sherman Theatre, BBC Arts and BBC Wales and a range of independent companies and artists.

- Planning to deliver a complex co-creation project in Pembrokeshire, 'Go Tell the Bees' this autumn. Rather than postpone the project they are working with all communities involved to re-imagine the project within evolving social distancing parameters.
- In the early stages of exploring 'live and digital' models that can be presented in 2021 with a range of partners across Wales.The intent will be to create work that can function safely and within financial parameters for those venues worst hit by the crisis.

Case Study: Hodgkinson Design - using design expertise to support other businesses

Hodgkinson Design's focus during the lockdown period has been on keeping existing projects alive to sustain the business and ensure that their staff are supported. They have experienced a significant drop in demand for new projects and have found rate relief support from their Local Authority to not be forthcoming.

The organisation is lucky in that they have had existing projects underway prior to the outbreak and have been able to retain that activity. However, they are having to work at a significantly reduced speed to their normal operations given the constraints of home-working on collaboration and productivity.

However, they have sought to make the best of the situation and support other businesses in their response to Covid-19. They have created a bespoke multi-disciplinary 'Task Force' to support property owners and occupiers, in need of advice and practical guidance to modify their properties to meet the requirements of the government's safer workplace guidelines.

The Task Force includes architects and designers, project managers, quantity surveyors, mechanical and electrical engineers. All of these organisations are independent companies respected in their own sphere of activity, who have worked together before. They are collaborating to ensure an optimised hygienic working environment can be achieved.

Hodgkinson Design with the other Task Force consultants will assist businesses to resume operations and their contribution to the UK economy.

Case Study: Greater London Authority and Music Venue Trust - harnessing the power of audience

COVID-19 has had a huge impact on grassroots venues across the country. Many venues who were already struggling to make ends meet have had to close their doors and are struggling with cash flow. Some are now facing the threat of permanent closure. But many of these venues are calling on the power of their loyal audiences and fans to give them a fighting chance of survival.

The Mayor of London launched Pay It Forward London, where Londoners can support the venues that love and value in their communities. This could be through offering services in advance based on a promise to deliver in the future. Ideas could be selling memberships that get you discounts when reopen, branded merchandise or a one-to-one with their favourite artist.

The Music Venue Trust has also launched the Save Our Venues campaign. It brings together the ecosystem of venue, artist and fan to help save these vital venues from closure. Artists are encouraged to support their local or most loved venue by performing an online gig, then members of the public can provide donations to help venues with the immediate cashflow problems.

New ways of supporting the most vulnerable

Case Study: The Roundhouse - offering pastoral support for vulnerable young creatives

The Roundhouse launched Round Your House at the end of April - a programme of digital opportunities to keep young people, parents, artists and those working in the sector creative and connected whilst at home. One of the key drivers was to ensure that there was support for young people at home. They have continued to offer pastoral support over email and phone to some of the most vulnerable young people they work with, and to distribute the latest advice and opportunities to young people over email. There is also a home studio suite available to Roundhouse Emerging Artist members which includes free Adobe Creative Cloud alongside remote technical support form the Roundhouse team - this resource has been downloaded 302 times.

The Roundhouse are also hosting a series of digital roundtable discussions with artists and speakers including Travis Alabanza, Raymond Antrobus and Lucy Sheridan leading discussions about wellbeing, what creativity looks like now and how we can reimagine the future of the sector. The first roundtable was attended by over 60 people working in the sector and feedback was hugely positive. For parents homeschooling, Roundhouse are also offering online resources to teach children about the sounds of some of the iconic artists that have played the Roundhouse - from Bowie to Blondie. There has been a big uptake of these resources that have been downloaded over 200 times in two weeks.

Case Study: Natural History Museum - supporting parents and home learning

The Natural History Museum has created new content to engage home learners in collaboration with LEGO. A new LEGO Life Forms online event was launched on May 6 to a great response, with 16,000 page views in five days. Each week the Museum is introducing a new environment, inspired by a real moon or exoplanet in our galaxy, and challenging participants to build a lifeform that could survive in that environment out of LEGO bricks or any other materials around the house. To increase audience interaction, the NHM has started using software Flockler to aggregate posts from social media channels to create a new website display that showcases participants' incredible creations. During the school holidays, the NHM's popular on-site family festival programme will also move online, with a combination of live events, participatory activities and online articles that encourage families to explore nature around their homes and take an active interest in biodiversity.

Case Study: Framestore - adapting programmes to support young creatives

Framestore, a visual effects and post-production company, is adapting their summer internship in light of the crisis. In previous years they would typically bring 15 interns into their London office who would work alongside their artists and supervisors on live production work. As this was not possible in light of the crisis they have turned their internship into an online only, team-based competition. The selected teams will be required to produce a 30 second film of their design but supported, mentored and tutored by Framestore professionals.

Framestore is advertising the scheme on their website and via social media, however have adapted the application process to provide a Discord server where individuals without a team can find other individuals to join up with. The mentoring and training will take place over Zoom or Google Hangouts as appropriate and they will also encourage the ongoing use of the Discord server to keep teams connected with us and each other. The scheme hasn't involved any upfront costs other than the reallocation of staff time in creating new materials and communication channels to promote the scheme.

Getting Back to Work: Challenges across the sector

Parts of the creative industries are now able to return to work where working from home is not possible, but for the majority of the sector, work remains remote or unable to restart until social distancing is relaxed or government deems it appropriate. For some, including retail and cinemas, this will mean a gradual return to work in government's "phase 3", but for others, such as performing arts venues and festivals, this will mean a much later return - despite their efforts to re-think business models and ways of working.

It's also important to recognise that the sector does not work in industrial silos. Given the interconnected way in which the creative industries operate, many organisations and workers - despite in principle being able - will not be in a position to resume their activities if reliant on others unable to restart. The UK's creative industries are a diverse ecosystem and series of supply chains made up of big and small organisations and freelancers that rely heavily on each other to produce their work and deliver their services.

With a high number of agile but lean micro-businesses and self-employed workers, there are also many across the sector who will be unable to take on the cost of securing a safe workplace, the risk of innovation, and the upfront investment needed to implement new ways of working and securing revenue. Government support must be extended, tailored and increased to ensure that restarting the economy does not become a case of 'survival of the fittest' and that no vulnerable person is left behind.

Content and service industries

Content and service industries have been able to manage through the outbreak to some extent by adapting to home working and continuing to work on projects and meet clients' needs. However, this has not been a possibility at all in film and TV production which necessitate large workforces. Those organisations that have been able to continue remotely, such as in animation and design, have found their collaborative processes impacted. It is important that government supports the restart of large scale production, through providing guarantees to insurance providers, while also extending financial support for those for whom it will take time for demand for their services to recover, such as those in VFX and post-production.

Content Industries

Case Study: Animation Studio in Wales - feeling the effects later down the line

A leading animation studio based in Wales has currently been able to manage well with the restrictions through home-working but expects to face further difficulties with reduced commissions for animation in the future. An overall reduction in demand for content production will make it challenging for the organisation to continue to thrive, particularly with considerable amounts of reserves having been spent in supporting operations during the outbreak. Home-working has not been entirely suitable for the collaborative methods needed to take work through different developmental phases and ensure that the final creation meets the demands of a competitive marketplace.

As restrictions are lifted, there is an urgent need for long-term, sustainable support for UK content through enhanced tax reliefs and greater investment with the support of government. Moreover, financial support will be needed from government to allow social distancing measures to be implemented in small studio spaces that would otherwise struggle to do so. The UK risks being further behind our global competitors if it is not kept as an attractive place to do business or export products.

Case Study: Team 17, Video Games Development Company, Wakefield - managing the return to work

"In March, our teams worked tirelessly to help move over 200 staff in three office locations to enable home working within 10 days at the start of C-19 outbreak and we have been working constantly to secure better and safer home working practices, focussing on our team's well-being as much as their ability to continue working productively. Significant effort has been invested in communication across and within our teams as well as putting in place critical measures to ensure the protection of our data whilst all our teams work from home. We are extremely proud of how our teams have adapted and continue to work from home to support the Team17 business and as far as possible, through the commitment and dedication of our teams we have continued to work as close to "normal" under these challenging conditions, to that point we launched our latest game Moving Out on 28th April as planned.

We have a senior management C-19 project team that are already looking at possible routes to return to work, however the focus for any return will be the safety and security of our teams both in the workplace but importantly on their journeys to and from our offices. We need to be sure that any return is not temporary as the cost to our business from disruption and uncertainty even with a well-managed and safe return to work will have a greater detrimental impact if very soon after the return, we have to reverse the process again and revert back to home working due to a secondary C-19 infection outbreak."

Case Study: Neil Chordia, Independent Film Producer - decline in future funding opportunities

The company was preparing to shoot a feature film in the late summer and was in initial conversations with financiers and cast. As the film requires a summer shoot (due to the creative), they had to decide early into lockdown to cancel production and tentatively reschedule for next year. This has meant that they will need to restart the financing and casting from scratch.

Public-funding has not been an option for the type of project the company is looking to shoot. They have been in touch with private financiers for both production and development funding and they have found that the current uncertainty means that no-one appears to be willing to invest in projects, as they a) don't know when they will be able to begin and complete work and b) fear that sales and distribution will be greatly diminished, meaning that this is a very risky proposition.

Moving forward, they were already pivoting away from indie film production and moving towards TV and streaming but they have now found this transition is essential. They have been pitching shows to various platforms and broadcasters but have found that traditional ad-funded broadcasters have suffered large revenue declines because of loss of advertising, making scripted drama a difficult thing for them to commission.

Given their income stream is reliant on making shows, the producer has had to take on a part-time job to pay bills and this has severely impacted the amount of time they have to give to the company. They have not been able to access any government-support, aside from a small bounce-back loan, which has enabled them to lower the company's credit card debt.

Currently the producer's plan is to continue working the part-time job and to work on their film and TV slate on the side. They don't know how long they will continue to do this for and they are minded to look for a full-time, more secure job in the future; this will depend on whether they can land a commission on a show in the next 6-12 months.

Service Industries

Case Study: Engine UK - support to adapt to future working practices

Engine has done significant planning around the future operation of its business. They are preparing for working from home to be the norm for the foreseeable future, with any attendance in the office even when it is safe to do so being the exception rather than the norm. They have explored what they can do to make sure that employees have a safe and considered home office environment (such as providing ergonomic chairs, second monitors and keyboards) and are rethinking the space that they have in the office, and are busy renegotiating with their landlords for a smaller footprint in their building. They are also planning for an increase in the use of cycling to get to work and are making extra space for bike racks, increasing the provisions for showers and seeing what more can be done, beyond the Cycle to Work scheme to encourage and help people to purchase new bikes.

However, there will be issues around national connectivity and technological infrastructure that will be more challenging to solve and could limit the ability of Engine to unlock home working as an option for all staff. This will particularly be an issue for people in the countryside or remote areas of the UK and it is key that the government addresses these challenges to further the innovation in digital working practices that are being utilised by many organisations. It will also be important for government to provide clearer guidance on employees and employers' rights with regards to home working and where necessary office work can be mandated.

Case Study: New Contemporaries - uncertain future for creative talent

"New Contemporaries is a smaller-scale non-venue based organisation, which means we operate more like an agency than a gallery or a theatre. Our scale means that we have been able to adapt fairly well to remote working and while we have had the infrastructure to support this, we have had to invest time and resources into ensuring the mental health and well-being of staff working at home during the pandemic.

Thankfully, we have not been in a position where we have had to furlough staff as there is still work to be carried out. Our cashflow is secure to the end of the financial year but there is a significant question mark around our future position as all of our income streams have been affected by COVID-19, from corporates to trusts and foundations and individuals - we are anticipating a 25% reduction on our income in 2021-22. Importantly, we work with artists emerging from arts education at an advanced level. There is huge uncertainty around what effect the double whammy of COVID-19 and Brexit will have on the ability of those from the UK and abroad to access fine art courses at universities and colleges here. Significantly, if these courses are no longer viable what is their long-term future? It is a well repeated statement that the creative industries up until now have been one of the main drivers of the UK's economy; arts education and grassroots activity needs to be supported to feed the sector and ensure that it thrives.

We will not be returning to work in the New Contemporaries office in the immediate future; a number of factors are influencing this including the lack of clarity in the Government's contradictory guidance around returning to work, not using public transport etc. We also anticipate that remote working and video conferencing will increasingly become the norm, the resulting pressure on broadband networks will need a joined up policy from the Government on the rolling out of super-fast, fibre provision. Perhaps now is the time to pause and reflect on whether the investment in major road and rail projects could be spent on increasing our digital capacity and potential?"

Freelance workers

Freelancers in the creative industries have been particularly affected by the outbreak given the sudden pause on the productions, projects and venues which would normally contract their services. There has also been a significant impact on artists who rely on touring income given the travel restrictions that have been implemented across the world. The government's Self-Employment Income Support Scheme has been welcome, despite gaps in support, and it is key that this is continued, at the same level and duration of support as employees, as the sector recovers.

Case Study: Freelance Theatre Designer - no project pipeline

"I've been working as a freelance theatre designer for nearly 20 years now. Like most theatre artists and technician's, I am extremely dedicated and have invested an enormous amount of time into my work, and yet despite all these efforts it remains an extremely fragile economic existence at the best of times, one which COVID-19 has just utterly shattered for many self-employed professionals and theatre companies across the land.

I am mid-career, and over the years have been gradually starting to work across the UK (and more recently internationally) in some of its larger scale theatre venues. 2020, after what has felt like quite an uphill career struggle financially, was looking like it might be the one where I would finally make a respectable income.

I know for sure I have lost 50% of my income this year, and the rest is now slowly being eroded away as remaining projects (incl. in early 2021) I had in hand are also starting to be cancelled or postponed, maybe indefinitely.

The fallout has not just been financial. I have a 6-year-old daughter, who has been at home since the school's closures. Both my partner and I are freelance and have had to drastically reduce our working hours in order to split childcare and home-schooling responsibilities. This drop in working hours and productivity has meant I have also been struggling to meet the few remaining work deadlines I have left.

In line with government guidelines, I closed my studio 5 weeks ago. Again, seriously compromising my ability to deliver work effectively. And whilst the loosening of restrictions has meant I could now in theory re-open, there is now little or no work to go back to.

I am also an employer and the design assistants I had booked in, amongst the most vulnerable in our industry, I am now not in a position to employ. Both due to a lack of work and also the social distancing restrictions in place. These will presumably be a requirement for many months to come. Whilst there may certainly be potential to develop more remote and technology driven ways of working over the next few months, without financial support, the capital investment required won't be an option for most in my profession.

The UK theatre industry is a crystal palace. As fragile as it is extraordinary. It needs protecting. More importantly, its predominantly freelance lifeblood needs protecting. Hundreds and thousands of self-employed UK workers; artists, performers, technicians, zero hours theatre staff, tax payers need protecting."

International Spotlight: France - Intermittents du Spectacle

In France, there is dedicated social security protection (intermittents du spectacle) for all those who work on a freelance basis in the performing arts, including dancers, comedians, set designers, film makers and festival creators. This normally applies only for those who worked for at least 507 hours in the previous 12 month period but this requirement is now being dropped for the next 12 months. This will help ensure continued access to support for these workers while venues slowly start to reopen and resume their levels of activity. In the UK, this type of sector-specific support would be essential, given the impact of continued social distancing on venues, if there is to be a tapering off of the broader Self-Employment Income Support Scheme.

Small organisations

SMEs will face particular challenges in adapting to social distancing restrictions given the significant costs of implementing changes and the limited space that many occupy. Their revenues have already been heavily impacted by the lockdown period and it will take many months for them to return to their full levels of activity. Support will be needed by government in the interim to enable them to meet the requirements of health and safety guidelines and successfully restart their operations.

Case Study: Conductive Music - adapting to a changed funding landscape post-COVID

"We are Conductive Music, a Community Interest Company focussed on the design and delivery of STEAM (STEM + Art) projects in 200+ schools across the country, to 6k+ students from challenging backgrounds, yearly.

We were delivering in schools up to March 18th, just before the school's lockdown. We took a week to update all our projects, train our staff, write proposals to our funders to repurpose our project for online delivery and investigate Online Safety and GDPR. We are funded by Arts Council England and 15 Music Education Hubs across the country. This allows us to deliver in the Cold Spots, in schools which could otherwise not afford to engage with external partners.

Up until April 20th, we created freely available online resources, to support all our lesson plans - with great success. Each educational video reaches 4k views on average - but they are not monetised. As of April 20th, we started online delivery, on Zoom, with growing success. Engagement numbers vary on the areas and are highly dependent on our ability to reach out to parents. Some Music Education Hubs have direct mailing lists, which have a 50-60% conversion rate, but others have to rely on schools to push out the message - and it then becomes a lottery.

As a very tiny SME, we do not keep parents' details on our database, so schools act as a filter - but most of the time they do not act at all. To try and reach out to all schools in our partner areas, we have used the governmental lists from GIAS, only to find that 15 to 30% of contacts bounce back.

The freezing of all art-funding has produced a major impact on us, and on the possibility of planning for the future. We have adapted, and are delivering at full capacity, but we won't be able to do so, if new funding is not released. We have also been left out of all government support. With a cloud-based office and a school-based delivery, we were not entitled to the support grant, but will have to furlough employees in the near future. We are struggling to reach out to a wider audience as we only have limited expertise. We have in-depth knowledge of online learning, and technology in general, but there are no obvious routes to monetisation. Digital delivery is as demanding, if not more, as in-person. Logistic costs have been supplanted by investments in digital technologies and content production, training, scheduling, marketing, etc.

Our company and staff are ready for the next challenge. We are also happy to help others to gear up and adapt. When before we were planning 6 to 9 months ahead, we now don't look further than a month, with all international commitments cancelled or postponed. The Art world necessitates investment, with a particular focus on those, like us, who are able to deliver, despite the circumstances."

International Spotlight: Belgium - compensation fund for creative SMEs and self-employed

In Wallonia, Belgium, a higher level of grant support (5000 Euros) is now being provided to SMEs and the self-employed who fall within the creative industries who have had to cease their operations due to the public health measures implemented by the government. The overall additional fund is 285 million Euros and recognises the unique impact of the restrictions on the sector as a whole given the reliance of many organisations on engaging closely with the public or with businesses who do so. The support offered is double that of the 2500 Euros continuing to be offered to SMEs and the self-employed more generally for partial business interruption in other affected sectors, with only sport and motor repair also included in the higher support category.

Performing arts venues

The performing arts rely on being able to engage large numbers of the public within venues and as such have been one of the first organisations to close and will take the longest time to re-open. It will be very difficult to open with social distancing restrictions in place given the impact of reduced capacity on the commercial viability of going ahead with a performance. It is vital that the government recognises these challenges and provides dedicated support to top up revenues to enable the performing arts to restart while complying with social distancing.

Case Study: Royal Opera House - risks of prolonged closure

The Royal Opera House (ROH) is one of the world's busiest theatres. Performing as The Royal Ballet, The Royal Opera and the Orchestra of the Royal Opera House, they are one of the UK's biggest employers of performers, creative practitioners and craftspeople. One million people come through their doors each year and over one million more experience their performances in cinemas, at free screenings and through streamed and televised productions. Their Learning and Participation programme opens up opportunities, deepens learning (including projects in over 1,250 schools nationwide) and connects young people with affordable performances for families, schools, students and community and health groups.

The financial impacts of the outbreak on ROH have been severe and will be worsened through a prolonged closure. Box office and secondary revenue have disappeared and there are significant risks to philanthropy and membership, given the extent to which these are tied to artistic output and the wider economic downturn. ROH have lost approximately 60% of their income yet only 30% of their costs are variable; the remainder are fixed costs of permanently employed artists, staff, building costs and other related overheads. Within such a highly-geared business model this is clearly unsustainable, placing the organisation's future at risk.

Public appetite for ROH's work remains significant, with, for example, over 4m views across ROH's first six YouTube/Facebook events and a hugely positive response to their home-learning offer. While digital engagement is playing a hugely important role in the wellbeing of people at home and attracting new audiences, it is no substitute for the live, communal experience, nor can it move the arts, a shared culture, responding to shared concerns, forward as new works and interpretations do.

Reserves, the Job Retention Scheme and initial emergency funding from Arts Council England will sustai theatres to the end of the summer (albeit in a fragile state) but it is very clear that significant financial intervention will be required to prevent the sector from collapse. Clear, sector-specific guidance and safety measures will also be critical in enabling activities to recommence and restoring public confidenc

International Spotlight: South Korea - performing arts venues

In South Korea, theatre performances have been able to continue through government not mandating closures or reduced capacity but instead introducing a quarantine period for theatres who have an audience member or performer who develops symptoms. This is accompanied by the testing of all audience members and performers in such cases. These measures, along with adequate PPE and clear government guidance, have helped theatres remain open and viable and Korean audiences feel confident in returning to see theatre performances. The UK government should consider adopting similar measures and enhancing these through supporting venues to obtain insurance and PPE and mitigating their costs if and when it is necessary for them to be closed.

Festivals and outdoor events

Outdoor events potentially have more scope for reopening than those held entirely in a closed environment and are a major part of the creative industries through the festivals sector. However, outdoor performances are not the same as outdoor construction work and bring together up to tens of thousands of people. There are difficult questions of how such numbers can be safely managed with social distancing in place and how festivals can continue to be financially viable with reductions in capacity and the loss of their main income stream from cancellations this year. It is key that government compensation is provided and sector-specific guidance is created with industry to help enable festivals and open air creative events to restart.

Case Study: Three Choirs Festival, West Midlands - challenges in running a live event

The Three Choirs Festival is the world's oldest classical music festival and they have had to cancel this year's event in July due to the COVID-19 outbreak. This represents the loss of an entire year's trade and income rather than a temporary closure and will considerably impact both the organisation and its employees as well as its wider supply chain of freelance artists and technical staff. There is an urgent need to acknowledge the wide differences in cash-flow impact of the outbreak between organisations such as retailers and businesses whose organisational model is typically based on year-round work and resource expenditure, predicated on income from a short period. The Festival organisers highlight:

"Cancellation has wiped out very close to 90% of our budgeted income and despite reserves, mid-year forecasts suggest as much as a £160k loss this year without successful emergency fundraising. The short-term financial difficulty would be less worrying were it not for the fact that everyone expects the fundraising landscape to be harder than ever post-lockdown. Funds we would usually apply to are all suspended, corporate support seems unlikely given economic uncertainty, and like so many festivals, we have no core funding to fall back on. Everything is from scratch, every year. Coupled with this, speculation within the sector estimates between a 30% and 60% reduction in ticket income due either to caution among audiences or the effects of social distancing in venues."

There are significant challenges with running such an event with social distancing and the need to manage capacity and the safe entry of attendees while ensuring the event is commercially viable. There is a need for much more clarity from government on health and safety guidelines and parameters in these circumstances as well as financial support and timelines to enable forward planning.

International Spotlight: Across Europe - outdoor events

Many countries are allowing large outdoor events to open before indoor gatherings, such as in Spain where there are plans for outdoor gatherings of up to 400 people to resume from 25th May and of up to 800 people to resume from 8th June. Acknowledgement by government of how live performances can be held with reduced risk would enable more organisations to restart and sustain themselves economically.

Where events cannot be held, countries including Germany, the Netherlands, Italy and Portugal have instituted a voucher scheme to allow consumers to choose to use the value of their ticket at a later date rather than ask for a refund, protecting organisations' cash-flow. In Poland, the period for refunds to be given has been extended to 180 days. More clarity from government on future changes in social distancing restrictions can help enable advance sales.

Visitors and footfall

Like the performing arts, museums and galleries and institutions in the heritage sector will find it difficult to reopen straight away given the need to implement social distancing in spaces that often have protected status and are difficult to adapt. There is more flexibility in the performing arts through no fixed seating and this has allowed some organisations to begin to prepare for potential re-opening. However, this will be dependent on obtaining the support needed to put in place protective measures and on generating sufficient revenue despite decreases in visitor numbers.

Case Study: Mabecron Books, South-West England - reopening retail

Mabecron Books operates three physical bookshops in the South-West and one small warehouse in Cornwall as well as a publishing program which has stalled as their books are aimed at the visitor market. However, they have incurred significant costs this year through deciding to reprint two titles and publish two new books in preparation for the peak season in the summer. There will be 14,000 copies of these books but at the moment they have no ability to market these or generate sales. There will therefore be no income coming to the company to meet the costs they have already incurred such as advances and advertising or to pay £30,000 owed for the printing of the books.

The company had to take a £25,000 Bounce Back Loan to pay for this print run but it is unlikely their two new titles will break even on their costs until more visitors are expected to return in Spring/Summer 2021. They are now holding three new titles back until 2022.

Their retail shops are preparing to attempt to open on 1 June and they have installed Perspex screens and two metre control floor lines to enable social distancing as well as providing hand gel, masks and gloves for visitors. They will limit customers in relation to the size of the shop, with typically 2 to 4 being able to enter at any one time.

Their main area of concern to enable this reopening is their ability to continue to furlough staff. All of their staff apart from the owner are currently furloughed and it will take time for the workforce to return to full operational capacity given the expected slow rise in visitors and demand. The extension of the Job Retention Scheme to the end of October is welcome but further tapering must be considered in a proportional way if necessary and guidance on the Scheme’s extension must be published as soon as possible.

Case Study: Natural History Museum - managing visitors and social distancing

The Natural History Museum welcomed more than five million visitors in the 2019/20 financial year, despite closure for the second half of March.

As government funding has fallen over the past decade the NHM has considerably strengthened its commercial and philanthropic income streams which now account for a much larger percentage of gross income than previously. However, this means the museum is more heavily reliant than before on the spending of visitors which drives, for example, catering commission and retail income, all of which raised £13m in gross income in 2019/20. This income generation has completely stopped during closure and is creating a large operating deficit.

Although doing everything possible to mitigate losses, the NHM is currently losing c.£2m+ per month and running quickly through their reserves. Reduced inbound tourism, the requirements to socially distance and reduced public confidence is likely to impact visitor numbers for a long period, while barriers to other income-generating activities - such as the inability to host large commercial events - are likely to result in significant income reduction for an extended period. NHM will be unable to return to normal commercial operations whilst social distancing requirements are in place for cafes, shops, and events.

Government support will be needed in both the short and medium term to ensure the NHM and other national museums can remain solvent and maintain important public programmes and partnerships with the wider sector. Public confidence will need to be built through evidence of good practice throughout the museum – visitors will be keen to visibly see the increased cleanliness and social distancing being practiced on site. The NHM is currently planning the practical adaptations needed, including vastly reducing their normal capacity of up to 27,000 visitors a day at peak, inserting physical adaptations (e.g. one-way systems, signage and guidance for visitors) and installing equipment to keep staff and the public safe and within government guidelines – such as PPE and protective screens.

Given the anticipated reduction in physical visits, the NHM plans to continue its enhanced digital offering even once its doors are open to maintain as broad engagement as possible.

International Spotlight: Germany - visitors and footfall

In Germany, museums have been able to reopen where there have been social distancing restrictions put in place. Dedicated funding of 10 million euros has been provided by the German government to finance the implementation of precautionary measures and the adoption of digital media for small and medium sized cultural institutions, including museums as well as theatre and concert venues. These institutions may have otherwise found it particularly challenging to restart their operations.

Institutions that have reopened have banned large groups from visiting, sealed off certain exhibitions that are very popular, and introduced extended opening hours to maintain visitor numbers while limiting too many people entering at any one time. They have also taken steps for greater hygiene such as wiping down audio guides and installing plexiglass screens by ticket desks.

Similar restrictions have been introduced to allow bookshops to reopen in Italy with limits on numbers of shoppers and the provision of PPE to those entering to prevent the virus being passed on through product handling.

Goods-based industries

Goods-based industries have seen an impact both on their supply chain, through necessary restrictions for the safe operation of manufacturing facilities, and on their retail outlets which have had to close during the lockdown. Clear guidance from government will be needed as these organisations look to reopen and support may be needed as they look to manage reduced demand and significant increases in the cost of their supplies.

Case Study: Faber & Faber - managing supply chain and distribution challenges

The publishing industry has been hard hit by the outbreak and Faber, a world-leading, independent publishing house, has experienced a significant impact with an estimated loss incurred of 30% of print sales. They have benefited from having secured leading titles such as Sally Rooney's *Normal People,* the recent TV adaptation of which has prompted renewed interest in the book and supported their sales. However, the industry has suffered even greater losses with reports of approximately 65% drop in print sales. The situation is worse for small publishers, with a survey by The Bookseller revealing that 60% believe that they will be out of business by the autumn and 85% seeing their sales drop by more than half already.

Online sales cannot sufficiently make up for all of the lost revenue, although they have increased. The high street plays a key role for Faber, particularly in improving discoverability, as customers were previously able to browse freely and easily a high volume of titles before making their purchase in-store or online. Moreover, there have been challenges in the distribution of books due to the outbreak, with major distribution centres and wholesalers not having been able to operate at capacity with social distancing requirements in place. These issues have been compounded by the wide-ranging restrictions of workplace activity that are in place across the world.

Ensuring booksellers are able to reopen safely and swiftly will be key for Faber going forward. In fact, bookshops should be included in the first-wave of non-essential retail reopenings, due to take place from 1 June. Bookshops are crucial to the ecology of the publishing industry. Reopening bookshops will give the industry a lifeline as publishers and booksellers will be able to kickstart their supply chain, re-establish sales opportunities and get books in the hands of readers. This could vastly improve the chances of a business remaining viable beyond the COVID-19 crisis.

It will also be crucial for Faber to retain access to its key international English language markets such as Ireland and the rest of the Europe Union, Canada, Australia and New Zealand, the Far East and the USA. The UK publishing industry is export driven, and the ability to trade internationally is crucial for the health of many publishing businesses.

As a result of the crisis, Faber is having to use some of its cash reserves. This is the case across the industry as depressed sales have prompted reduced cash flows for many publishing businesses. Despite cash flow issues, publishers are having to continue to pay for overheads to keep their business running. This is especially pertinent as publishing works to such long lead times, requiring publishers to produce books for sale months in advance. It is essential they keep going in order to avoid serious business disruption later down the line. It is for this reason that publishers require urgent government intervention in the form of business rate relief, to allow them to continue running their businesses amid decreased cash flow, and to keep producing books for future publication.

It will also be essential that the UK's gold-standard IP regime is not compromised through free trade negotiations which would impair the recovery of the publishing sector. If the international exhaustion of UK IP rights were to apply rather than the current regime of national exhaustion, there would be a significant risk to UK Consumer publishing.

Publishing supports not only the voices of authors in reaching the public but plays an integral part in the wider creative ecosystem through adaptations of books and the selling of film and TV rights. This key part of the creative industries and the economy must be protected through the challenges of both COVID-19 and Brexit."

International Spotlight: Italy - repurposing manufacturing facilities

While some manufacturers of fashion brands have been able to reopen under social distancing restrictions, many have not been able to or have had a significant drop in demand given the closure of retailers and decreases in many people's disposable income. Where they are open, these organisations retain significant capacity to produce PPE.

The Miroglio Group for example, which operates in the Piedmont region of Italy, has reshaped its operations to provide 10,000 masks to emergency workers, NGOs and journalists and aims to increase capacity to produce 100,000 a day for Italy and beyond. Through this, they have been able to support 500 workers in manufacturing through selling the PPE at cost price.

Income and Business Support

Organisations in the £111bn creative industries are more innovative, international and fast growing than SMEs in general.[3] Ensuring they are able to bounce back from the current crisis will be a key plank in our national recovery. Large sections of the creative sector are falling through the cracks of the existing COVID-19 business support measures, often due to the sector's unique characteristics. A workforce 1/3 freelance, a dominance of micros and SMEs, project-based business models and an intangible asset base, all mean the creative industries struggle to fit into many of the generic support systems. Unless changes are made, this will result in not only a significant immediate economic impact but long-term decline in what is a thriving sector with world-leading cultural output.

The purpose of this section is to highlight the gaps in existing provision across grants and reliefs, loans, equity and investment readiness, and outline short- to medium-term solutions to ensure these gaps are plugged. It is informed by our industry-wide surveys and consultation with the trade and sub-sector support bodies that operate in the creative industries. For the creative industries, as well as all those other sectors where there will be a later return to work, the **continued extension of support measures** such as the Job Retention Scheme and Self-Employment Income Protection Scheme, in addition to **targeted grant support**, will be vital.

Longer-term and systemic change will also be necessary to ensure the UK's support ecosystem for creative organisations and workers is fit for the future.

SUMMARY OF RECOMMENDATIONS

Workforce

1. Ensure that the Job Retention Scheme (JRS) and the Self-Employment Income Support Scheme (SEISS) are equally maintained during the recovery, as far as necessary, while organisations take time to rebuild operations and regain demand for their services.
2. Ensure all freelance workers impacted by the outbreak are able to be supported through the Self-Employment Income Support Scheme. The gaps in the SEISS must be plugged and the Scheme extended in line with the Job Retention Scheme, providing parity of support to employees and the self-employed.

Grants and Reliefs

3. Expand access to Local Authority administered grants across the UK and business rate relief in England, Scotland and Wales to all parts of the creative industries, not only those in retail, hospitality and leisure.
4. Remove limits on rateable value from criteria for the awarding of grants in England and Northern Ireland, and look instead at offering grants based on business size rather than sector or premises' value, as is the case in Wales and Scotland.
5. Give Local Enterprise Partnerships (LEPs), Combined Authorities and regional administrations greater funding flexibility to expand their own grant programmes, in response to local priorities.
6. Establish a Creative Industries Distress Fund, to provide emergency funding for organisations and individuals in greatest need.
7. Shape the UK Shared Prosperity Fund to deliver a recovery focused business finance scheme,

[3] BDRC/CIC Access to Finance, 2018 ACCESS TO FINANCE

designed to stimulate business development and innovation.

8. Ensure that funding is provided to organisations experiencing cash-flow issues and facing significant commercial rental costs.
9. Explore whether further extension or flexibility of creative industries and R&D tax reliefs could provide further temporary relief for struggling creative businesses.

Loans

10. The British Business Bank must ensure Coronavirus Interruption Loan Scheme (CBILS) accreditors are adhering to the criteria set out by government, enabling all businesses that were viable lending options prior to the crisis access to a loan now.
11. The British Business Bank should ensure that providers in the alternative finance sector are being harnessed and supported to provide loans through both CBILS and the Bounce Back Loan Scheme to those who are currently out of reach.

Equity

12. Extend the eligibility criteria to the Future Fund to permit businesses who have raised less that £250,000 equity investment, to access the convertible loan scheme.
13. Change the parameters of the Future Fund to enable Angel Investors, Enterprise Investment Scheme (EIS) Funds and Venture Capital Trusts (VCTs) to participate as match funders.
14. Review options for a potential time-limited increase in the Enterprise Investment Scheme and Seed Enterprise Investment Scheme (EIS/SEIS) tax breaks to further incentivise the angel and early stage investment market to support creative businesses that have not yet accessed equity investment.
15. Build on the existing work being carried out as part of the Creative Scale-Up Pilots to cultivate creative industry focused Angel investors. Fast-track access to the £100m British Business Bank Angel Co-Investment Fund to incentivise greater Angel investment outside London.
16. Innovate UK to work closely with intermediaries and representative groups across the creative industries to ensure the grant scheme for R&D intensive SMEs is well promoted throughout the sector.

Investment Readiness

17. Support sectoral experts, such as business representative organisations, to give signposting and advice directly to businesses, giving creative businesses the tools they need to help themselves.
18. Enable existing and legacy ERDF funded projects - which fund 40% of business support programmes - to pivot from business growth objectives to business resilience and recovery.

Workforce

Job Retention Scheme (JRS)

The Job Retention Scheme has been vital in enabling organisations to retain their employees through compensation of 80% of wage costs and we welcome government’s extension of the Scheme to the end of October and the flexibility that has been offered on part-time furloughing. **However, there is a need for the**

Scheme to be maintained beyond this, in a tailored and proportional way, for those organisations who will not be able to return to work for some time. While organisations go through the difficult period of rebuilding, it is key that they continue to be supported by government.

This is particularly important whilst social distancing restrictions remain in place (causing challenges for large-scale events and performances) and for those organisations who obtain work further down the supply-chain. Theatres and VFX companies for example will have to wait a considerable time, likely a few months more at least, after work begins again before productions and films are at a stage where they are ready to come to them. There is a lag in the supply-chain which must be accounted for in government support.

Self-Employment Income Support Scheme (SEISS)

The sector is highly project and performance based and a third of the workforce are freelancers. Their skills are vital and they are a key resource for micro-businesses that expand when more work comes in as well as for larger companies, such as those who carry out large-scale productions or filming. **It is key that the Self-Employment Income Support Scheme is maintained at an equal level to the Job Retention Scheme while organisations look to stay resilient and recover. This will ensure that freelance talent is not lost from the sector during this challenging period.**

According to a Federation survey from 27th March - 2nd April of 1991 creative workers and organisations, 78% of creative freelancers estimated that their turnover would decrease by over 50% in 2020. A snap poll on Twitter on March 18th showed that almost half of 1795 creative freelancers who responded had already had 100% of their work cancelled. In our survey (20th-23rd April) of 1784 self-employed creative workers, only 4% believed that Universal Credit would meet their basic living costs. The below gaps in support must be addressed by government urgently.

- **Short-term PAYE Contracts**
  Those self-employed who are paid through PAYE are not eligible for SEISS, as it is based on self-assessment tax records, and are not eligible for JRS if out of contract. **Freelance PAYE income should be considered within eligible SEISS earnings.**

- **Recently Self-Employed**
  Those who have become self-employed within the past three years will not be eligible or will benefit less from SEISS given the calculation is based on self-assessment records of average earnings from 16-17 to 18-19. **19/20 tax records should be considered within SEISS.**

- **Company Directors and Personal Service Companies**
  Self-employed workers choosing to set themselves up as limited companies, to minimise their personal liability to business risks and ease administration, are not eligible for SEISS. **Dividends should be considered within eligible SEISS earnings.**

- **Maternity/Paternity Leave or Caring Responsibilities in the past three years**
  Those who have had to take extended leave in a particular year (perhaps due to maternity/paternity or caring duties) would find that their average earnings are brought down and therefore they would receive less from SEISS. **Necessary gaps in work should be discounted from SEISS calculations of average earnings.**

- **£50,000 Cliff-Edge**

SEISS has a sharp cut-off point at £50,000 profit. Those individuals who make this maximum profit would be paid the full grant by the government whereas those who make £50,001 would receive nothing at all. **The amount received through SEISS for those with higher profits should be tapered rather than completely cut off above £50,000.**

- **50% Self-Employed Work Threshold**
  The percentage of self-employed work needed to qualify for the self-employed scheme is set at 50% which is too high for many of those who are part-time self-employed and part-time PAYE. **A lower threshold should be considered for those with mixed earnings.**

- **Significant Business Expenses**
  SEISS covers 80% of self-employed profit rather than income, meaning there is no support to meet significant business costs which have already been committed to. **The SEISS grant should be based on total income rather than just profit.**

Solutions

- Ensure that the Job Retention Scheme (JRS) and the Self-Employed Income Support Scheme (SEISS) are equally maintained during the recovery, as far as necessary, while organisations take time to rebuild operations and regain demand for their services.
- Adopt the solutions outlined above to ensure no freelance worker falls through the gaps of government support.

Case Studies

Short-Term PAYE Contracts

Theatre

“My current PAYE contract was due to finish on the 26th April. I had further work lined up but had not signed a contract. If this work does not materialise because the country is still in a state of lockdown I will not be covered by a PAYE contract and neither will my self employment cover me because most of my work is through short term contracts. I have only filed a tax return for the 2018-2019 and with the majority of my work through PAYE that year the self employed benefits will do very little to support me after my PAYE contract finishes. It would be advantageous to myself if the 2019-2020 tax year were included but even then I know people whose sole employment is from short term PAYE contracts. Those people therefore fall into a void with the current state help and if they aren’t eligible for Universal Credit I can’t see what other help is available.”

Recently Self-Employed

Film

Rob, Freelance filmmaker
"I was previously in full time employment until early August 2018, I officially signed up as a sole trader in late September or early October and naturally it took a little bit of time to start generating business, so my earnings from that first half of the tax year 18-19 are significantly lower than 19-20 which is actually based on a full year of trading, although at the time of writing this the 19-20 tax year hasn't closed yet.

I only operated for about 5 or 6 months [in 18-19] and I also spent a lot of money on business expenses getting my operation up and running, so upon submitting my tax return I barely turned a profit and didn't have to pay tax on my earnings. As the government have stated the support provided will be based on profit, I'm likely to receive a very small amount as it isn't pro - rata and my earnings for a proportion of the year will be treated as earnings for a full year.

So for the newly freelance / self employed people the government are pledging no fixed support as yet and although I am eligible for Universal credit it won't be anywhere the 80% of my average earnings based on the last year, so I really hope that they offer some support to the newly self employed, because I am likely to have to move out of my home very soon unless the situation changes.

Since the coronavirus I've lost a contract with a retained client that would've guaranteed me at least 4 months of work, no work for the foreseeable future and no income until I can get onto the Universal Credit which is unlikely to cover as much as my living expenses in my rented property which is £600 a month including all bills. If the government would consider accepting income from the latest tax 19-20 year and lots of other newly self employed people would be entitled to a much more reasonable amount of support."

Company Directors and Personal Service Companies

Music

Kerry Harvey-Piper, Red Grape Music Ltd

Artist Management for: Peggy Seeger - Hafdis Huld, Label for: Peggy Seeger - Hafdis Huld - Liz Lawrence - The Bible - Broadcaster, Production Management for: Calum MacColl, Catalogue management for: The estate of Ewan MacColl.

"Me and my husband run a small music business, which variously provides independent label, management, booking agent, live music and production services. I run the label and management side, and my husband plays live as a guitar player for artists, is a songwriter and also runs a small production studio. The two of us do everything and we're the only company directors. Previously we were set up as a joint partnership but formed a limited company around 15 years ago.

We have what would be described as 'portfolio income' into the company, coming from lots of different sources and often in small amounts:

- streaming & CD sales of our small catalogue,
- label PPL
- my management commission, tour management & consultancy fees
- my husband's PRS and PPL royalties
- my husband's live gig and production fees

We work long hours every day and generally work a 6 day week. We pay ourselves a minimum through PAYE and generally top up a couple of times a year through dividends after the main touring (and therefore earning) periods in Spring and Autumn. It's a fairly precarious balancing act at the best of times, but we've both managed to earn our livings this way for the past 15 years.

As all our income goes via our VAT registered company, we can't furlough ourselves as directors as that would prevent both of us working at all. The artists that we work with would no longer have management, a label or an agent since we variously act as all three of these for our artists. As we're not self-employed, we can't apply for the 80% of self-employed earnings either. Consequently we have no support from the Government during the crisis and now that all the tours and productions we're involved with have been postponed until 2021 I'm struggling to see how we will survive beyond the next couple of months."

Grants and Reliefs

Issue

The sector is dominated by sole traders and micro businesses - 95% employ fewer than 10 people[4] - many with very limited reserves and relatively modest turnover - 57% of organisations in the creative industries have a turnover of under £100k.[5] These businesses need an urgent cash injection to survive, but do not have the surplus cash flow to service additional debt.

Many creative organisations fall outside the scope of the Local Authority administered *small business and retail, hospitality and leisure grants* because property values are high in the area where they are based. Similarly, many do not qualify for the *retail, hospitality and leisure grants* and *business rate relief*, either because they do not have commercial premises (working from home or serviced offices) or because they fall outside the scheme's scope – for example printers, fashion houses, recording studios and theatre warehousing. Many of those who do not qualify for the Schemes are facing high rental costs and cash-flow problems. The same limitation in terms of scope is also in place in Scotland and Wales for these schemes, and charities do not qualify.

The new Local Authority Discretionary Fund is a welcome source of support for those with fixed property costs but it could be better targeted to ensure that the gaps outlined above are addressed. However, it is welcome that government has now confirmed that self-employed workers with fixed costs are now able to qualify for the Fund.

Grant schemes like Arts Council England's £20 million fund, for artists, creative practitioners and freelancers working in the cultural sector, and Creative Scotland's £2 million bursary fund for immediate financial support for individual creative practitioners are important interventions, but limited in terms of eligibility and timescales.[6]

This acute need has been recognised at a devolved level, with several schemes recently announced to address it, these include:

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[4] https://www.creativeindustriesfederation.com/statistics
[5] DCMS Sectors Economic Estimates 2017 (provisional): Business Demographics
[6] The second wave of the Arts Council's scheme closes on the 30th April 2020.

- Liverpool City Region has repurposed existing funds to provide £400,000 of loans and grants to SMEs in music, film and TV - applications opened on the 15th April.
- Coast to Capital LEP has set up the £2m Backing Business Grants Fund to provide grants to independent small businesses and social enterprises affected by COVID-19.
- Buckinghamshire Business First Growth Hub created a COVID-19 Business Resilience Fund of grants up to £10,000, which closed within a week due to overwhelming demand.

The South West and the devolved nations have the highest proportion of businesses critically impacted of all UK regions, whereas London is home to the highest proportion of potentially positively impacted companies.[7] Unless addressed with targeted regional support, the crisis is likely to exacerbate existing regional inequalities. Although regional support measures outlined above are very welcome for individual businesses, from a national perspective, there is currently a patchwork, postcode lottery of provision for the creative sector.

Solutions

- Expand access to Local Authority administered grants and business rate reliefs to all parts of the creative industries – not just those open to the public. This echoes a call from the Deputy Mayor of London to widen the scope of 'leisure' to align with the DCMS definition of culture and creative industries, enabling those organisations that are vital to the creative supply chain, to access rates reliefs and grants.
- Remove limits on rateable value from criteria for the awarding of grants given the very high values in particular areas of the country.
    - Northern Ireland extended business rate relief to all organisations regardless of sector. They are eligible for a 100% discount from April-June 2020 resulting in a 25% discount on business rates for the 2020-2021 tax year.
    - Wales' Economic Resilience Fund offered a £400 million emergency fund to provide grants regardless of sector to SMEs. The self-employed and micro-businesses with 9 or less employees could claim grants up to £10,000. SMEs with between 10-249 employees were eligible for grants up to £100,000.
- Give Local Enterprise Partnerships (LEPs), Combined Authorities and regional administrations greater funding flexibility to expand local and regional grant programmes accessible to the creative sector.
- Establish a Creative Industries Distress Fund, giving access to emergency funds for creative organisations and individuals who are unable to access alternative funding nationally or locally. Other countries have implemented similar models with the French Ministry of Culture announcing an emergency fund of £22m Euros and Sweden introducing a fund of £1bn SEK. In addition, Scotland has launched a £20 million Creative, Tourism & Hospitality Enterprises Hardship Fund for creative, tourism and hospitality companies not in receipt of business rates relief.
- Shape the UK Shared Prosperity Fund to deliver a recovery focused scheme designed to support innovation, business development, job retention and creation, part of which should be dedicated to creative micros and SMEs.[8]
- Ensure that funding is provided to organisations experiencing cash-flow issues and facing significant commercial rental costs.
- Explore whether further extension or flexibility of creative industries and R&D tax reliefs could provide further temporary relief for struggling creative businesses.

[7] Beauhurst COVID-19 Business Impact Report
[8] https://researchbriefings.files.parliament.uk/documents/SN05874/SN05874.pdf

CASE STUDY: Edinburgh Festival Fringe Society

The Edinburgh Festival Fringe Society organises the Fringe Festival which provides a critical career and business pipeline for a diverse and extensive range of creative industries across the UK. The Society is a small charity which underpins and binds different elements of the Fringe landscape together including venues, creatives, artists, arts industry, media and audiences.

Edinburgh International Fringe is the biggest performing arts festival in the world, with 323 venues and over 4,000 shows in 2019. The festival acts as the UK's marketplace for international programming - 1400 programmers and curators visit from across the world each year. The Fringe Society - the charity that underpins the Fringe - is funded through registration fees and ticket commissions. Without this commercial income in the current crisis, and no public subsidy, it is facing a £1m shortfall, with an estimated £21m impact across the wider landscape.

Both the Society and the wider Fringe landscape across the UK faces serious financial impacts with the Fringe being cancelled or significantly reduced in scale and footprint in 2020, and the festival is critical in the survival of hundreds of independent businesses in the long term. Whilst the Fringe is a cultural festival, it also supports not only the UKs performing arts sector, but a far wider ecosystem delivering an estimated £1bn economic impact to the UK every single year.

The work presented at the Fringe is seen and bought by other festivals, venues and curators across the UK and the world, which leads to numerous years of work for all those involved including artists, scriptwriters, stage designers. Without a vibrant marketplace for this work to be seen, many of the theatres – already in a precarious situation with Covid-19 -will struggle to find content in the winter months and well beyond 2020.

The Fringe Society and the Fringe cannot survive without an additional urgent financial injection of up to £1 million.

CASE STUDY: Theatre Royal, Wakefield

Theatre Royal is a Wakefield-based charity; producing, touring and receiving house theatre; education in performing arts. It's been operating from its Grade II* listed Theatre building for more than 30 years.

All income is self generated and they rely on ticket sales and front of house trading for income, which has completely fallen away. It costs around £65,000 to run the theatre each month. Before the crisis the theatre was in a very positive financial position, building reserves and ready to scale. However now they predict existing reserves to only keep the theatre afloat until June. As they are servicing two existing loans, they do not feel that they can take on additional debt.

They have applied for a small business grant, but do not qualify for the retail, hospitality and leisure grants of up £25,000 as the rateable value of the property is just over the limit at £57,0000.

"The parameters of this support do not recognise the real life challenges facing a theatre or other entertainment venue like ours. We have applied for the Arts Council England non-NPO grants of up to £35,000, but are only likely to hear about this at the end of April at the earliest. Theatres are likely to be the last to re-open i.e. places where large numbers of people gather. If we can't access additional financial support, we will be at risk of ceasing trading with all jobs lost."

Loans

Issue

Debt finance will be the right option for many creative businesses, but the access to finance market failure[9] that dogs the sector becomes more acute in the current crisis. Creative businesses are perceived to be high risk by mainstream lenders because their primary asset is intangible, intellectual property. They also have a talent led, project-based, business model which can be hard to evaluate without sectoral experience that most mainstream lenders lack, which in turn creates a perception of higher risk.

This also means creative businesses are less likely to have existing relationships with mainstream lenders. Creative businesses often use alternative finance providers or rely on informal finance (27% of creative businesses have in the past used their own money, or investment from family and friends to support their business – compared to 9% SMEs in general[10]). So when CBILS applicants are encouraged to approach their 'usual' lender, creative businesses become new, 'risky' clients at the back of the queue.

The 100% government-backed Bounce Back Loans Scheme for organisations looking to access small amounts of money is therefore welcome. The fact that charities are also eligible for these loans is also good news. When the scheme launches, it is crucial that these loans are made available quickly to both existing and new customers, and are easily accessible to the creative sector through the accreditation of specialist lenders.

For those needing loans above £50,000, however, CBILS remains the only option. Amendments to CBILS such as the removal of personal guarantees under £250k and the lifting of additionality criteria (which meant more viable businesses weren't offered CBILS benefits) are welcome, as are accreditation of alternative finance providers such as Funding Circle, but significant access challenges remain.

Solutions

- The British Business Bank must ensure Coronavirus Interruption Loan Scheme (CBILS) accreditors are adhering to the criteria set out by government, enabling all businesses that were viable lending options prior to the crisis access to a loan now.

[9] Creative Industries Sector Deal, 2018 https://www.gov.uk/government/publications/creative-industries-sector-deal/creative-industries-sector-deal-html#executive-summary
[10] BDRC/CIC Access to Finance, 2018 ACCESS TO FINANCE

- The British Business Bank should ensure that providers in the alternative finance sector are being harnessed and supported to provide loans to those who are currently out of reach. Given that 57% of businesses in the creative industries have a turnover of under £100k and 19% were set up in the past two years, encouraging those able to offer relatively small amounts of debt finance - and quickly - is important.
- Government to closely monitor ongoing implementation of CBILS to safeguard against poor practice such as excessive interest rates. CBILS applications and approvals should be monitored by sector to ensure proportionate access for the creative industries. More alternative, creative industries friendly, specialist lenders should be accredited to increase access for the sector.

CASE STUDY: A Northern Ireland Film Production Company

The Business Interruption Loan Scheme has not been accessible to the company and the paperwork requirement has been excessive. They have had to divert valuable resources needed to sustain their work into servicing their application under the Scheme. A loan to tide over measurable cash flow challenges they are facing over the next 3 months has not been presented as an option to them. The company feels this contradicts the public messaging about the Scheme that they have heard. Their bank, Lloyds, is instead taking a view of their profitability over the last 3 years, and only able to provide support based on levels of retained profit within the business over that period. No allowance has been made for the fact that the business has grown exponentially over that 3-year period, with turnover increasing from under £1 million to £2.9 million. This year the company was on track to exceed that figure and potentially reach £4 million in turnover.

The company has found the application process to be too slow, having been looking to apply since the Scheme was announced but not being able to have a discussion on their needs and options for the first 3 weeks. They are finally expecting to hear from Lloyds at the end of next week (w/c April 27th 2020). If they are rejected they will explore options outside of their primary banker, having more minor accounts with Coutts and Barclays.

CASE STUDY: A London-based Digital Content and Marketing Business

A successful London-based digital content and marketing business were in the midst of pulling together an investment round, looking to close in April/May. Their 2019/20 revenue was approximately £700,000, which they predict will at least double within 12 months as they scale up. They currently employ 12 staff, including freelancers, but have now frozen all recruitment, which they were planning to expand significantly to have more than 20 by year end. As they are pre-profit, they are unable to secure a bank loan through CBILS. They were heavily dependent on the private equity finance market to support them to scale up and become profitable. This has completely dried up in light of the crisis, with previously interested investors focusing on their current portfolio rather than making new investments.

"I certainly think that CBILs, in their current form, are frankly pretty much useless for a scale-up creative tech business like us. Whether it's showing full accounts or convincing someone you were

viable before this happened even though you do need funding to get through (i.e. loss making but that's totally normal for early stage tech) they don't really fit! I think there is a lot of non-govt money that could enter the market if the incentives were there to make it happen now, not later."

Equity

Many pre-revenue or not yet profitable creative businesses, start-ups and scale-ups, are not eligible for CBILS. These businesses frequently seek Angel investment, but in the current climate, Angels themselves are running out of available personal investment capacity, seeing their own wealth decline in light of global market issues. Where any capacity does exist, it will go to existing portfolio firms to meet their current and ongoing growth needs.

The UK enjoys a strong investment ecosystem, with a number of effective investment incentives, including the creative sector tax reliefs. It is vital that some of our most promising, high growth potential businesses don't fail before they've really begun due to the immediate pressures of the current crisis. So, the Future Fund is a much needed and very welcome addition to the suite of government backed finance measures introduced to support businesses towards recovery. We also welcome the fact that the Future Fund has signed HMT's Investing in Women code to support the advancement of female entrepreneurs.

However, as an investor led scheme, it will still present particular challenges for creative businesses. We know that there is already a shortage of CI specialist early stage equity investors and that equity investment is harder to secure for businesses based outside London and the South East. We therefore need to ensure that CI businesses, particularly if they're based outside London, can be supported better to secure Future Fund finance. It is important that the Government captures and publishes data on the distribution of this fund to monitor the degree to which sectors and regions are successful in accessing the Future Fund.

As businesses must have previously secured £250,000 equity investment, the Future Fund will also exclude smaller, early stage creative businesses. The relatively small total size of the Future Fund also means that it will be unable to provide the scope of finance that pre-commercial startups need right across the economy. In addition, because the convertible loan system does not meet existing rules for SEIS or EIS investment, it may in practice exclude many Angel investors who access these important tax incentive schemes. In light of this, in addition to the Future Fund, the Government should also take steps to incentivise smaller scale first time equity investment with a particular focus beyond London and the South East, ensuring that this mechanism aligns with SEIS and EIS rules to draw in Angel Investors and VCTs.

Alongside the Future Fund*,* £750 million of grants and loans will be made available for R&D intensive SMEs, to be distributed through Innovate UK to existing customers, with a further £175,000 for SMEs which have not previously secured Innovate UK funding. To ensure that as many R&D intensive creative organisations are able to access these grants as possible, Innovate UK should work closely with the creative sector to promote the scheme widely and assess its accessibility on an ongoing basis.

Solutions

- Extend the eligibility criteria to the Future Fund to permit businesses who have raised less that £250,000 equity investment, to access the convertible loan scheme.

- Change the parameters of the Future Fund to enable Angel Investors, Enterprise Investment Scheme (EIS) Funds and Venture Capital Trusts (VCTs) to participate as match funders. The EIS rules prevent the use of Convertible Loan Notes, and therefore exclude a very significant level of early stage investors who have the potential to invest in creative businesses.
- Review options for a potential time-limited increase in EIS/SEIS tax breaks to further incentivise the angel and early stage investment market and to stimulate an additional pool of early stage capital to support creative businesses that have not yet accessed equity investment.
- Build on the existing work being carried out by the British Business Bank, UK Business Angels Association and Scale-Up Institute through the Creative Scale-Up Pilots to cultivate more creative industries focused Angel investors, and exploit the potential of the existing £100m co-investment fund under the BBI Regional Angels Programme to build more regional angel capacity to invest in creative businesses.
- Innovate UK to work closely with intermediaries and representative groups across the creative industries to ensure their grant scheme is well promoted throughout the sector.

Investment Readiness

Creative businesses typically struggle to present themselves as 'investment ready'. Only 54% use business planning (compared to 72% of all SMEs) and 62% don't have a formal business plan[11]. Yet they are keen to access help and advice – 67% wanted more information in accessing finance, before the current crisis. Creative businesses need help to help themselves through the impact of COVID-19; to plan effectively, to identify the right type and level of finance needed and to submit fit for purpose finance applications.

Solutions

- Support intermediaries trusted by creative businesses, to give signposting, advice and support directly to creative businesses, following the example of the Business Readiness Fund, which helped prepare industries for the UK's departure from the EU.
- Support sectoral experts, such as trade and sub-sector organisations, to work with business support bodies such Growth Hubs in England and Scottish Enterprise in Scotland, to support them in understanding creative sector business models and the needs of creative organisations.
- Enable existing and legacy European Regional Development Fund (ERDF) funded projects – which fund 40% of business support programmes - to pivot from business growth objectives to business resilience and recovery.

June 2020

[11] BDRC/CIC Access to Finance, 2018 ACCESS TO FINANCE