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Professor Dame Angela McLean and Lord Browne
Council for Science and Technology

Dear Dame Angela and Lord Browne,

**COUNCIL FOR SCIENCE AND TECHNOLOGY REPORT: HARNESSING RESEARCH AND
DEVELOPMENT(R&D) IN THE UK CREATIVE INDUSTRIES**

Thank you for your letter to the Prime Minister enclosing a copy of your report on research and development in the creative industries. The Prime Minister has asked me to respond on his behalf as the Secretary of State responsible for the creative industries.

HM Government is grateful for your and the Council's work. I was delighted to see how the report rightly acknowledges the importance of the United Kingdom's creative industries as a sector of innovation and growth and your letter to the Prime Minister recognises the Government's commitment to their ongoing success. I warmly welcome the report's support for the aims and objectives of the Creative Industries Sector Vision. As you note, the creative industries are an essential engine of economic growth, and a beating heart for this country's R&D and innovation ecosystem. The most recent figures show that the creative industries contributed a remarkable £124.6bn in output to the UK economy and almost 2.4m jobs in 2022 - they are a brilliant global advert for our talent, imagination and values. This government's actions, including recent measures announced at the Autumn Statement 2023 and Spring Budget 2024, firmly demonstrate our commitment to supporting the creative industries, as one of our five priority sectors for growth.

We welcome the report, particularly its advocacy for building the evidence base to catalyse further research and development in the creative industries, which will be critical in achieving our target of £50 billion additional GVA by 2030. The Government is already taking forward a range of actions, delivering on the framework set out in the Sector Vision. The Council's report is an insightful, important document that will help inform further action, across government, academia and industry, to support the sector, and I am pleased to set that out below in more detail.

The report acknowledges the excellent work of the Creative Industries Council, who champion and support delivery of the Creative Industries Sector Vision. I co-chair this group, now also with my colleagues the Secretary of State for Business and Trade and the Secretary of State for Science, Innovation and Technology, showing our commitment to working together to achieve the objectives we have set out. We are striving to address the challenges and opportunities set out in your report, working



across government and with industry. We welcome, and are taking forward work on, all of your recommendations:

Recommendation 1

The Government agrees that public investment in research and development in the creative industries should reflect the size, economic contribution, and future growth potential of the sector. I am pleased to confirm the Government is already working at pace to deliver this. In his Autumn Statement on 22 November 2023, the Chancellor of the Exchequer set out the Government's intention to review the evidence on public investment in research and development spending for the creative industries, as recommended in your report. This will help to build the case for further investment to support the sector's continued growth. The review will be delivered to a Spending Review timeframe, led by my Department and working with HM Treasury, the Department for Science, Innovation and Technology (DSIT), UK Research and Innovation (UKRI) and the Arts and Humanities Research Council (AHRC), with analysis being supported by the AHRC-funded Creative Policy and Evidence Centre (PEC).

The Government is committed to and delivering an ambitious and wide-ranging programme of support for the creative industries, with research, development and innovation a key focus of the Creative Industries Sector Vision growth chapter. Our activities are driving innovation, delivered by my Department, as well as the Department for Science, Innovation and Technology, and our Arms Length Bodies. For example, the AHRC's Creative Industries Clusters programme provided £56.8 million to support nine creative clusters focused on research, development and innovation, leading to £252 million of public and private co-investment. We want to build on this even further, and announced in June 2023 a further £50 million of public funding to support investment in at least six new clusters. In November 2023, AHRC launched its £75.6 million Convergent screen technologies and performance in real time (CoSTAR) programme, driving £63 million of private co-investment.

As we deliver the Sector Vision, we will continue to build the evidence base which demonstrates that the creative industries are fundamentally a sector of research, development and innovation, and we will continue to support creative businesses in these activities.

Recommendation 2

The Sector Vision emphasised the importance of investment as vital to the growth of the creative industries. The Government offers a range of investment programmes, such as the £28.4 million Create Growth Programme specifically for the creative industries, and initiatives from the British Business Bank (BBB) which the creative industries can benefit from, such as the BBB's £1.6 billion Regional Investment Funds and £150 million Regional Angels programme. We also welcome Creative UK's new £35 million Finance II investment fund. Launched in September 2023, this fund – delivered in partnership with Triodos Bank – shows what can be done with targeted support for creative business scale up.

We acknowledge that finding and securing investment can sometimes be difficult for businesses in creative sectors. We agree that data and evidence on the availability and accessibility of finance are essential to building understanding of the nature and extent of challenges faced by businesses, and to inform future government and industry-led work. As you note, the Creative PEC, which was established in the 2018 Creative Industries Sector Deal, plays a vital role in this work. The Creative PEC is also committed to improving the evidence base on Foreign Direct Investment (FDI) and will publish a report later in 2024.

We are also working with Creative UK to consider options for supporting their project to improve the evidence base on access to finance and investment. The Creative PEC are also involved in the survey analysis part of this work, which is expected to include a section on scale-up finance. Ultimately, we

want a solid evidence base to help support the most effective government and private sector investment, in order to maximise the growth potential of our creative industries.

Recommendation 3

In the Sector Vision, the Government committed to ensuring tax reliefs support and incentivise private investment in the creative industries. The 2023 Autumn Statement and 2024 Spring Budget demonstrate our effectiveness at delivering on this, with new or enhanced tax reliefs across the audiovisual, games, independent film and visual effects sectors. Following a consultation, the Government announced a simplification of the research and development tax reliefs in the 2023 Autumn Statement, with the current R&D Expenditure Credit (RDEC) and Small Medium Enterprise (SME) schemes to be merged from 2024 onwards, providing greater support for UK companies to drive innovation.

It is essential that any change to the definition of research and development eligible for tax relief is supported by evidence, and I am delighted to be able to say that the Office for National Statistics (ONS) is making progress with work to better capture evidence on the research and development activities of British businesses, including the creative industries. This includes enhanced guidance to help businesses provide accurate information on their research and development, including in the area of Arts Humanities and Social Sciences (AHSS). The data collected will provide more comprehensive coverage and due to larger sample sizes will provide more robust estimates of research and development in all industries. The business research and development survey is currently underway and we hope to see positive results later this year.

Recommendation 4

The Government remains firmly committed to supporting all of our Arm's Length Bodies and UKRI in their efforts to conserve the UK's cultural assets and pursue opportunities to use digital technologies to widen public access to the Nation's collections. To achieve this, my Department works closely with UKRI to deliver a range of ambitious research and development programmes which provide the knowledge, technology and infrastructure of the future to conserve the nation's cultural assets. Through programmes such as AHRC's £18.9 million Towards a National Collection (TaNC), we are supporting the development of world-leading digital and artificial intelligence (AI) technologies to create a unified national collection from the UK's national museums, galleries, libraries and archives. Additionally, UKRI's £80 million Research Infrastructure for Conservation and Heritage Science (RICHeS) programme will help to secure the UK's reputation for excellence in conservation and heritage science.

Our Culture Heritage Capital programme is also developing new frameworks to capture and articulate the value of culture and heritage assets to society. Recently, my Department and AHRC funded projects worth £3.1 million that will support crucial research in this field.

We will continue to work closely with UKRI and its Councils to ensure that the United Kingdom's culture and heritage assets are conserved and that we understand and communicate the true value they have in our society.

Recommendation 5

The UK has world-leading protections for intellectual property - we know just how important these are for the success of our creative industries and we will maintain them in what is a changing technological landscape. The Government is committed to ensuring that the UK is a world leader in research and AI innovation, while ensuring that the UK copyright framework continues to promote and reward investment in human creativity, so that the tech and creative sectors can grow together in partnership.

We recognise the importance of setting out clear guidance on the use of creative content to train AI models. As set out in the DSIT AI White Paper Consultation Response, published on 6 February, the



Intellectual Property Office engaged stakeholders on a voluntary code on copyright and AI. We had hoped that rights holders and AI companies would be able to come together to agree a way forward in this complex and challenging area. However, they were not able to reach a consensus and as a result no code of practice will be published and the Intellectual Property Office (IPO) Working Group will not continue.

The conclusion of the IPO Working Group is not the end of our work to find an appropriate regulatory approach. The government is committed to ensuring that AI development supports, rather than undermines, human creativity. For example, we will focus on greater transparency from AI developers and ensure that AI outputs are properly attributed. The Government wants to work closely with rights holders and AI developers to deliver this. Critical to all of this work will also be close engagement with international counterparts who are also working to address these issues. We will soon set out further proposals on the way forward.

Recommendation 6

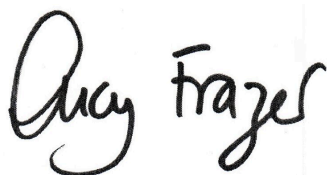
We warmly welcome this recommendation. This aligns strongly with our commitment in the Creative Industries Sector Vision to “work together with industry to understand current levels of access to high-quality specialist arts, music and creative media provision for 14-19 year olds across England and explore options for enhancing access to existing and new providers”. In the wider context of the cultural and creative sectors’ rapid growth and associated skills gaps and shortages, understanding the impact of specialist provision on the talent pipeline will help inform policy makers’ strategic priorities in the future.

In October 2023, my Department and the Department for Education started work on an action plan to better understand supply and demand for this provision across England. We are convening relevant industry stakeholders, including Creative Media Academies for Production and Performance (CMAPP) and the Universities and Colleges Admission Service (UCAS) to collaborate on this work. As part of this, we will incorporate the Council of Science and Technology’s recommendation, and work to review the performance, geographical distribution, and financial support for small specialist creative institutions.

The Government already works closely with the cultural and creative sectors on a range of vital interventions from early years to post 18 training to support creative skills, including the National Plan for Music Education, Flexi-Job apprenticeships and Skills Bootcamps, and we are committed to working across the talent pipeline to ensure the future success of the creative industries.

I have copied this letter to the Prime Minister, the Chancellor of the Exchequer and the Secretary of State for Science, Innovation and Technology.

Yours sincerely,



Rt Hon Lucy Frazer KC MP
Secretary of State for Culture, Media and Sport