

From: **Michael Hill, Cabinet Member for Community and Regulatory Services**
Simon Jones, Corporate Director Growth Environment and Transport

To: **Growth, Economic Development and Communities Cabinet Committee**
– 22 September 2022

Subject: **DCMS Create Growth Programme**

Key decision 22/00088

Classification: **Unrestricted**

Past Pathway of report: None

Future Pathway of report:

Electoral Division: County wide

Summary: The Department for Digital, Culture, Media, and Sport (DCMS) launched the £17.51m Create Growth Programme in June 2022 inviting partnerships in local areas to bid for funds of £1.275m each to run over three years 2022 - 2025. There is no match funding requirement. The programme will target Intellectual Property-rich micro and Small to Medium Sized Enterprises (SMEs) and deliver an intensive business support programme designed to improve the leadership capacity of pre-scale-up creative businesses, so that they are better placed to access finance, particularly investor finance. In addition, businesses across the participating local area partnerships will have the opportunity to benefit from up to a £7 million national fund for finance support and from investor capacity building activities.

Following a successful expression of interest, KCC Culture and Creative Economy Team formed a consortium to complete a bid to the Create Growth Fund by the deadline of 25th August 2022. If successful, we will be notified in September and will need to start recruitment and procurement immediately.

Recommendation(s):

The Cabinet Committee is asked to consider, comment on, endorse and/or make recommendations in relation to the proposed decision to be taken by the Cabinet Member for Community and Regulatory Services subject to the bid to DCMS being successful, that KCC enters into a grant agreement with DCMS and takes on the lead role of accountable body for the management and delivery of the regional South-East Create Growth Programme 2022 to 2025 as shown in appendix A.

1. Introduction

- 1.1 In 2020, the UK's Creative Industries contributed £95 billion in Gross Value Added (GVA) to the UK economy and employed more than 2.3 million people. Creative industry business support is a strategic priority within the Kent and Medway Cultural Strategy, the KCC Culture and Economy Team Business Plan and Framing Kent's

Future of Levelling Up Kent by delivering a better co-ordinated approach to economic development and backing SMEs and entrepreneurs to start-up and grow.

- 1.2 Working with the Districts also gives an opportunity for alignment with other major funding sources such as UKSPF. There is also alignment with some of our priority projects including developing creative workspace capacity and the Thames Estuary Production Corridor's plans for investment in major production sites, driving inward investment.
- 1.3 The Government's Department for Digital, Culture, Media, and Sport (DCMS) recognises the benefit of sector specialist business support and, with foundations in the Industrial Strategy, funded three Creative Scale Up pilot programmes in Greater Manchester, West of England, and West Midlands.
- 1.4 The DCMS has now launched the Create Growth Programme (CGP), built on the learning from Creative Scale Up. They will make six awards of £1.275m for three-year periods of time to area partnerships across the UK. There is no match funding requirement. Businesses within the areas awarded the funding will also be able to access a share of £7m grants/loans fund.
- 1.5 On 7 July 2022 Kent County Council submitted a LEP-wide Expression of Interest (EOI) on behalf of the South East Local Enterprise Partnership (SELEP) sector sub-group called the South East Creative Economy Network (SECEN), working closely with East Sussex County Council (ESCC), the SECEN Co-Chairs, Essex County Council, Screen South, Creative Estuary, Essex University's Angels@Essex, and University of Kent. This EOI aligned with our legacy plans for the South East Creatives business support programme, part funded by the European Regional Development Fund, which ended in March 2021.
- 1.6 We were informed on the 21 July 2022 that the KCC/SECEN EOI was one of nineteen EOIs (from 80 EOIs submitted) which had been shortlisted by DCMS to submit full applications. The KCC led bid received a high score of 81%. The DCMS strongly recommended that successful applicants at EOI stage form larger strategic partnerships. Taking this advice on board, KCC extended the original consortium to West Sussex County Council, Brighton and Hove City Council and Medway Council. This partnership makes us a strong South-East proposition.
- 1.7 We have developed the bid in consultation with sector specialists (i) Creative UK - formerly Creative England/Creative Industries Federation (ii) Indi Labs – a creative sector accelerator (iii) Wired Sussex, early pioneers of the createch model for fusing creativity and technology (iv) Screen South, the cultural development agency for screen industries based in Folkestone (v) Josh Sipel from Sussex University, also an advisor to DCMS, and author of influential Policy and Evidence Centre (PEC) reports on the creative industries. Creative UK (who bring with them access for Kent's businesses to a £24m investment fund), Screen South and Wired Sussex have now joined the bid as consortium partners.
- 1.8 We will be informed in September if our bid is successful and the DCMS have indicated a project launch in October 2022. If successful our bid and the subsequent programme of activity will advance the reputation of Kent County Council and the

South East Creative Economy Network as creative industries leaders, which will put us in a strong position to further increase inward investment.

2. Bid Details

- 2.1 The Creative Growth Programme comprises three workstreams. The first will be the responsibility of our consortium to target Intellectual Property-rich micro and Small to Medium Sized Enterprises (SMEs) and deliver an intensive business support programme designed to improve the leadership capacity of pre-scale-up creative businesses, so that they are better placed to access finance, particularly investor finance. The second workstream is to increase national and regional angel investor capacity¹ with the aim to build viable networks of investors more attuned to creative industry investment opportunities in the future. There will be further work to build investor capacity locally working with Essex University's Angels@Essex (note: this will be region-wide, not just limited to Essex). The third workstream will be delivered by national provider, UKRI (UK Research and Innovation <https://www.ukri.org/>) who will distribute £7m of additional funding, available to all businesses in the six successful areas.
- 2.2 The partnership has set a target of engaging with 100 businesses, this is in line with the Creative Scale Up pilots and DCMS's indicative expectations. In this second iteration of the programme, DCMS will fund applicants that show capacity to reach previously unreachd creative sub-sectors with unexploited Intellectual Property. New business models will crystallise into investable propositions and bring the sub sector closer to the investor markets. Simultaneously, investor markets will be coached on the benefits of creative sector investment.
- 2.3 DCMS require bidders to identify priority sub-sectors to target. Our target sub-sectors are based on data sets analysing our critical mass of sub-sectors and cross referencing this with the characteristics of pre-scale up companies with the potential for high growth. As a result, our targeted sub sectors are:
- Film, TV, Video, Radio & Photography
 - Design & Designer Fashion
 - Music, Performing & Visual Arts
 - IT, Software & Computer Services
- 2.4 To highlight the relative performance of different sub-sectors across these various measures of 'investment maturity,' using the Beauhurst Platform² we have RAG rated the table below. Data is based on businesses across the proposed South East region covered by our Consortium partners.

¹ The aim of the investor capacity building element is to increase the number of private investors willing to invest in creative businesses outside London, through educating investors about investment opportunities in the sector and building investor networks. Building on the Creative Scale Up pilot, it will include a combination of pitching events, investor outreach and an investor toolkit.

² Beauhurst is a searchable database of the UK's high-growth companies.

Creative industry subsector	Total companies	Companies with any DCMS HGP criteria	Companies with any Beauhurst HG criteria	Has attended an accelerator	Has been featured in a high growth list	Has completed an MBO/MBI	Has received a large innovation grant	Has received a qualifying loan	Has received equity funding	Is a 10% scaleup	Is a 20% scaleup	Was spun out of an academic institution
IT, software and computer services	19,401	5,211	273	59	37	0	35	5	148	42	22	4
Music, performing and visual arts	9,110	2,191	33	12	6	1	1	0	13	5	3	0
Film, TV, video, radio and photography	8,025	1,705	48	17	3	0	2	0	21	7	4	0
Design and designer fashion	4,209	1,014	18	4	1	0	4	0	8	4	2	0
TOTAL (where applicable)	40,745	10,121	645	92	47	1	42	5	190	58	31	4

Creative businesses demonstrating high growth potential characteristics in our region by sub-sector, retrieved from Beauhurst 14/08/2022

- 2.5 Of the four sub-sectors we have prioritised, IT, software and computer services is a relatively mature subsector. Businesses in our region could be transformed by the application of 'Createch' models, fusing technology and creativity, and our chosen sub-sectors represent those at the forefront of the opportunity. However, research shows that the South-East is currently receiving only a small proportion of the circa £1.2bn of annual Createch investment (the Createch Report 2021). The Create Growth Programme provides structured opportunities for our selected businesses to engage with Createch as an innovation and investment opportunity
- 2.6 We have identified two (Music, Performing and Visual Arts; Design and Designer Fashion) that are furthest from the investor community. We know this poses a challenge to recruit but also an opportunity to identify and grow specialist support for these sub sectors, moving them from more subsidised business models to sustainable financial stability.

3. Delivery structure

- 3.1 If the bid is successful, KCC will be the lead partner and accountable body. Additional staff resource, in the shape of a Programme Director and Programme

Manager, are included in the bid's budget to oversee delivery. A Project Board, chaired by KCC, will be established which will involve all Consortium partners. Sector Leaders are members of the Project Board and will be delivering the programme. KCC will procure additional specialist support where necessary, utilising the grant.

3.2 KCC's role as accountable body will be led by an experienced creative industry Principal Project Officer in the KCC Cultural and Creative Economy Team as part of the team's core work programme, delivering against the Annual Business Plan. Costs for in-house legal and financial support from the External Funding Team have been included in the project budget and covered by the grant. KCC's delivery will include:

- Signing an agreement with DCMS as the lead partner and accountable body
- Providing consortium agreements (with delivery targets where appropriate). A draft consortium agreement has been appended to the bid.
- Chairing and secretariat to the Partnership board
- Staff recruitment; managing the Programme Manager role. Consideration is being given to co-locating the Programme Director role in a sector organisation to deliver legacy.
- Overseeing procurement specifications drafted by the project management team and managing in-house procurement in partnership with KCC Strategic Commissioning including pre-tender market consultation
- Managing the risk register
- Overseeing communications and publicity
- Assisting in engaging with businesses via existing networks
- Monitoring the value and experience of the customer journey.
- Linking to other business support mechanisms e.g., the growth hub and strategic growth priorities for the creative economy in Kent
- Monitoring and reporting to DCMS

4. Financial Implications

- 4.1 The project is bidding for £1.275m of DCMS funding to be distributed between the members of the consortium according to an agreed project plan and to procure sector expertise. The funding will cover three financial years, 2022/23, 2023/24 and 2024/25. All funding must be spent by 31 March 2025. No match funding is required.
- 4.2 We have agreed a budget with partners as part of our partnership agreement and are working with KCC External Funding Team and Strategic Commissioning to ensure compliance and establish a financial monitoring framework. An early meeting, if we are successful, will take place with DCMS to agree payment and procurement routes.
- 4.3 The geographic area for distributing the funding is broad and there are no guarantees where participating businesses will be located. However, research for the bid on the Beauhurst Platform shows that Kent has the highest proportion of businesses likely to benefit and there is significant advantage in terms of profile, reputation, and legacy to having the core programme located within the County. Any creative business in the

area will be able to access the £7m grants/loans fund, they do not have to be part of the programme.

- 4.4 The ambition for the programme is to move the sector from subsidised to sustainable business models. The County will learn from the experience of the programme and be able to apply that to continued support for our creative economy at the programme's close.
- 4.5 Successful delivery of the programme should deliver for the first time, a cohort of investors that are informed and willing to invest in the creative sector, leading to less dependency on public subsidy.
- 4.6 Management of the programme will be delivered within existing KCC resources, as part of an existing focus on the creative economy within Kent.

5. Legal implications

- 5.1 We will enter into a grant agreement with DCMS. A separate partnership agreement will be made between KCC and members of the core consortium. We will use an existing partnership agreement model which was developed for South East Creatives Programme which is being reviewed by Invicta Law.

6. Equalities implications

- 6.1 An EqlA is attached as Appendix 1.
- 6.2 Diversity drives the UK's reputation for outstanding creative content with global market reach. The DCMS are prioritising bids that show how the creative industry workforce can be more inclusive. As part of our programme, we will be appointing a Diversity Champion who will sit on the project board. Delivery will include training in recruitment and leadership of diverse workforces. Equality, diversity, and inclusion will be a standing item on Project Board agendas, and we aim to make diversity and inclusion an everyday conversation. We will be reaching out via established networks like the Kent Equality and Cohesion Council and The Black Business Forum to make sure our recruitment and onboarding processes are inclusive as possible and will monitor to make sure we achieve that.

7. Conclusions

- 7.1 In the event of a successful bid to DCMS, Kent creative businesses will benefit from a targeted three-year programme of business support; access to a £7 million national fund for finance support; and access to investor capacity building activities developed through the programme.
- 7.2 KCC's leadership will lead to new partnerships, for example with Creative UK who manage a £24m investment fund, which will result in an ongoing network of support for creative businesses to grow within the county and increased inward investment.
- 7.3 Overall, the Programme will see Kent creative businesses become more resilient, better able to play their part in growing the Kent economy.

8. Recommendation

The Cabinet Committee is asked to consider, comment on, endorse and/or make recommendations in relation to the proposed decision to be taken by the Cabinet Member for Community and Regulatory Services subject to the bid to DCMS being successful, that KCC enters into a grant agreement with DCMS and takes on the lead role of accountable body for the management and delivery of the regional South-East Create Growth Programme 2022 to 2025 as shown in appendix A.

9. Background Documents

- Appendix 1: Equalities Impact Assessment
- Appendix A: Proposed Record of Decision

10. Contact details

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