

1. Executive summary

Whilst the UK Film Council sympathises with the aim of simplifying business support and improving its efficiency, the proposals contradict current thinking about how Government should support the creative industries and will not be effective in meeting the needs of SMEs in the film industry.

We believe a central creative industries team that supports nominated creative industries specialists within local business links would represent a significant and cost effective improvement to the current proposals, whilst retaining their benefit.

Introduction

The UK Film Council is the Government backed lead agency for film in the UK ensuring that the economic, cultural and educational aspects of film are effectively represented at home and abroad. Our goal is to help make the UK a global hub for film in the digital age, with the world's most imaginative, diverse and vibrant film culture, underpinned by a flourishing, competitive film industry.

We provide support and advice to businesses in the film industry in a number of ways including publishing information and research on the industry and the markets it serves and providing finance, principally project finance, to a diverse range of film businesses. We also support national and regional screen agencies that provide similar support and advice to film and related businesses in their area, but we lack the resources and do not have the remit or capacity to support a unit or units dedicated to providing a full range of business support services.

We have prepared this response on the basis of our experience, including our participation in the DCMS Creative Economy Programme, and have consulted organisations that we believe are well placed to advise us in formulating this response. We have not, however, performed a formal survey of opinion within the film industry.

2. On the business support government should be funding:

Q1 Do you think the business support outlined in Figure 2 and at Annex A adequately covers the key needs of business and helps achieve public policy aims outlined in this document?

No. Figure 2 and Annex A do not appear to adequately cover the key needs of business, nor do they seem likely to help achieve the public policy aims.

We are concerned with paragraphs 3.7 and 3.8 and believe the consultation exercise ought to provide more details of the intentions for how particular sectors will be catered for in order for the results of the consultation to be credible.

We are particularly concerned that the perspective is overwhelmingly sub-regional and proposes measures that are inadequate to accommodate sectoral needs. The 3rd and 4th bullet points of paragraph 4.5 seem paradoxical and in the absence of further detail we are not persuaded that local authorities are best placed to determine what targets should be set for the provision of advice and support to the UK film industry.

The proposals seem to rely on a simplistic model of small businesses, with inadequate, limited specialist access outside of the main Business Link network founded on a belief that there is only one type of small business. This fails to appreciate the diversity of businesses that can qualify as small. In particular, they seem to make an assumption that small businesses are necessarily locally or at best regionally focussed businesses with very similar needs. The reality for businesses in the creative economy is that they have very diverse needs and whilst some businesses fit the “generic paradigm” that the proposals rely on many do not. Most need advice and support that is informed by knowledge and experience of their particular industry (often a particular industry sub sector) whilst the advice and support implicit in the proposals will be generic, in effect a “one size fits all” policy.

A consistent message emerging from all of the working groups of the recent CEP exercise was that the creative industries cannot be helped by using a “one size fits all” model and the Cox Review highlighted the need for sector specialist support rather than generic business advice. The current proposals also do not appear to accord with the thinking behind the imminent green paper on the creative industries, e.g. Will Hutton recently made these remarks; “These sectors are all very different, but what they have in common and what sets them apart is that they commercialise expressive value – they profit from creativity, cultural meaning and symbolism. We need better understanding about the mechanisms through which creativity generates value – both within the creative industries themselves and in the wider economy beyond”. That need for better understanding of what sets the creative industries apart extends to the Business Link Network.

In particular, many creative businesses confound the generic paradigm that the proposals rely on by being very small businesses but having a global reach within their specialist field. Their needs are in many ways the same as those of large multi-national service based corporations and have little in common with businesses that rely on trading in goods, especially SMEs that supply goods to other locally or regionally based customers.

Targeting business support to tackle market failure requires a thorough knowledge of the market and a full understanding of the failure, otherwise attempts to remedy it will themselves fail. The involvement of central and local government, and in particular the RDAs, is welcome but a local/regional view is not necessarily the right perspective and collaboration between RDAs, central and local government will not of itself be sufficient in meeting the needs of the film and other creative industries. National and regional agencies dedicated to supporting particular industries must be fully involved in order for the measures to be effective. In the Film Industry this would require the Business Link Network to collaborate with the national and regional screen agencies. This would only be meaningful if there was

adequate resource within the Business Link network itself to understand and accommodate sectoral needs.

Some of the Film Council's own research indicates that there is great diversity of need amongst SMEs even within industry sub-sectors such as international sales agents. Without an adequate understanding of the complexity of the challenges faced by such businesses it will be impossible to give meaningful support and major parts of the UK's cultural economy will be disenfranchised under the current proposals.

We therefore urge the creation of a national unit that would specialise in "right sizing" the standard advice and support measures for businesses in the creative economy, with creative industry specialists nominated within each individual Business Link to assist with the formulation of advice and the delivery of standard support so that it meets the needs of creative businesses in every part of the UK. This would complement and enhance, not replace or undermine, the local delivery of business advice and support and should not require a significant adjustment of the proposed framework for general business support. In many regions there are already effective partnerships established between, e.g., the Regional Screen and Development Agencies that nominated specialists within the relevant Business Link(s) could reinforce, especially if supported by expertise within a small dedicated team at a national level. This central unit should be adequately resourced and its governance should include appropriate representation from the creative industries. We believe that only if such a "Creative Business Link" is established will the proposed model work for the Film Industry.

There is clearly a need for business support provision to marry up with support for training and education. We believe it is essential that Skillset, the sector skills council for the audiovisual industries, is fully consulted on the revised business support measures as far as they are relevant to training and development in the Film Industry and would recommend that Skillset is represented on any Creative Business Link.

The current proposals imply a small business sector that is discrete from Europe whereas much of the UK film industry is integrated with the broader European audiovisual industry and even its smallest businesses typically operate within a European, not simply a UK, environment. We believe that links with Europe should be fore-grounded in any proposal to support indigenous creative businesses and that the Creative Business Link should have the resources and responsibility to develop and implement a strategy whereby SMEs can obtain advice and support in how to optimise their activity in the broader European economy.

Q2 Where do you see duplication in publicly-funded business support?

The generic paradigm adopted in arriving at the proposals will result in duplication, i.e. there will be a proliferation of generalist staff and other resources designed to cater for a simplistic business model mis-matched to more complex and sophisticated sectors of the economy.

The suggestion in paragraph 4.2 is that support will be comprehensive, however this will only be the case if this is measured by reference to geographical criteria. In practice we believe there will be major omissions if the proposed structure is adopted, with a limited and simplistic solution duplicated across the UK and across all sectors of the economy without due recognition of the needs of particular sectors and industries.

We do not advocate a proliferation of autonomous bespoke services and sympathise with the aspiration to reach a wider range of clients including women, black and ethnic minority entrepreneurs, however what all sections of the film industry have in common is the film industry, not a generic industrial paradigm. Reaching out in an uninformed way may be almost as bad as not reaching out at all.

Q3 Where do you feel support is adequately provided by the private sector, thereby reducing the need for public sector support?

In figure 2, proposed business support, the section "Starting Up".

There appears to be limited need for significant further support from the public sector given that agencies such as HMRC and Companies House can provide advice directly to persons considering starting up a business and private sector service providers, (insurance brokers, bank managers, lawyers, accountants etc.) will typically provide advice not only on their own specialism but on the general process of starting a business, and their initial advice is normally provided free of charge.

Q4 What publicly-funded business support do you regard as being of the highest priority?

Access to finance, especially corporate finance and venture capital for companies with balance sheet totals less than £5m, advice with which to sustain and grow businesses and measures to assist SMEs to access and compete effectively in markets outside the UK.

Unfortunately the proposals seem to uncritically re-package existing measures when, e.g., the export credit guarantee scheme seems to be fundamentally ill suited to creative businesses and an uninformed emphasis on traditional capital investment does little to serve businesses in the creative economy, which tend to be more dependent on project finance. In this respect the proposals again seem to reflect an outdated paradigm of how a modern, developed economy works where, e.g. over the past 50 years the percentage of total US business investment in intangibles as a proportion of total investment in tangibles has grown from under 60% to over 130%.

Q5 Do the business support themes make it easier for you to know what publicly-funded support is available to meet the needs of your business? Are they the right themes?

No. We do not believe the business support themes make it easier for us to know what publicly-funded support is available to meet the needs of businesses in the film industry or in similar creative industries.

We do not believe they are the right themes, in particular creative businesses such as film production, distribution and service companies often have to think and act internationally from their inception and do not have the luxury of the preparatory period implied by the proposals.

The themes seem to rest on a very simplistic view that a small business starts up and then continues to operate and mature at a level that remains in essence "small". Most large businesses originated as small businesses and there seems inadequate recognition of generally accepted theories of how businesses grow and the challenges to that growth (e.g. the Greiner growth phases model). The most recent thought leadership on the impact of new communications technology on the way business is conducted seems to have been ignored. In particular there is inadequate provision for businesses that have the potential for rapid growth and an overemphasis on providing for businesses that will mature gradually without experiencing a period of significant, intense growth. Many media and entertainment businesses are favourably positioned to exploit the opportunities that ongoing developments in communications, particularly Internet, technology present but are also particularly vulnerable to the "firework effect" where after a period of very rapid growth and spectacular performance they are unable to consolidate and stabilise their business at an optimum level. The proposed measures would seem to be limited in their capacity to respond to a business that finds itself faced with these circumstances, but this is where the greatest market failure is likely to occur.

Q6 To what extent will reducing the amount of branded business support make it easier to know what is available to meet the needs of your business?

Whilst the reduced number of brands may reduce the potential for confusion, we do not believe the current proposals will necessarily make it clear how useful, relevant and appropriate advice can be obtained by businesses in the audiovisual sector.

Q7 How can the delivery of business support be better arranged to minimise customer confusion and achieve economies of scale?

We do not believe that simplification will automatically result in greater effectiveness. We believe a sector specialist unit or units should be established within the broader Business Link Network, i.e. a Creative Business Link.

At a regional level, any failure to fully involve the Regional Screen Agencies across England in the delivery of business support organised on a regional basis would also seem to severely limit the effectiveness of that support.

3. On the route for business to reach publicly-funded support:

Q8 How can Business Link be further developed to meet business and government needs consistent with this policy?

Please see above re Q7.

We are also concerned that the evidence base used to arrive at the proposals may be flawed. For example footnote 4 asserts that the business link brand is recognised, but recognition does not necessarily equate to high regard. The 91% satisfaction rating and 96% recommendation rating quoted are at first sight impressive, but we feel there is a risk that these statistics are reductive since they are derived from those businesses using the existing service and therefore exclude those businesses that have determined that the existing service is of little or no use. We feel a more accurate view would be gained by sampling from the full population of small businesses, this might be derived from the register of companies.

Even then, without an accurate and reliable sectoral analysis it would be impossible to determine precisely whether the existing or proposed Business Link service adequately meets the needs of all sectors and that there aren't any sectors where Business Link isn't effective. The anecdotal evidence available to us suggests that the film industry does represent such a "blind spot" and we believe this may be the case in other creative industries.

Similarly, the benefits and cost savings outlined in section 6 seem to be determined within an inadequate frame of reference and do not take into account the costs businesses incur when they have to source support outside of the Business Link service or the potential benefits of providing services that are appropriate to particular sectors.

The qualitative benefits in paragraph 6.10 will only accrue if Business Link clients can access support that is relevant and sufficiently informed and we believe this would only be possible if a Creative Business Link was established. "Easier to access" does not necessarily equate to "easier to use" and it will not be possible to provide a comprehensive assessment of the needs of a small business in a creative industry or better overall packages of support to SMEs in the film industry unless those performing those assessments and delivering those packages know or have access to knowledge of the industry.

Q9 How can business support services make best use of Business Link as the primary access channel for business?

We believe that at the moment neither business support services nor their clients are able to effectively use the Business Link network as an effective access channel because of the generic paradigm that it has adopted. This does not allow appropriate matching of service providers with appropriate experience and skills to clients in the film industry or in similar creative industries and we believe that if anything the proposals will exacerbate, not improve, these circumstances and will not reduce the costs of seeking support faced by SMEs in the Film Industry

4. On the way to keep business support simple in future:

Q10 Do you agree with the proposed strategic oversight of business support?

We would like to know in more detail how the sub-national management and strategic oversight would work, and in particular how the Department for Culture Media and Sport and the constituency of businesses it serves will be represented, but this again seems driven by a generic paradigm with homogenous geographical units attempting to provide a standard set of services to all small businesses. At a national level we are concerned that without appropriate representation from the creative economy the strategic oversight will lack the requisite experience and skills to provide leadership in delivering services to the film industry and that an operational management that has an overwhelming regional or local focus will not be able to deliver an adequate service to an industry that typically has a global focus. We believe this is likely to be the case for most other creative industries.

We do not believe that there will be the robust discipline envisaged in paragraph 5.5 if independent business people within a particular sector don't believe they will be able to genuinely influence provision.

Unfortunately we believe the failure to adequately meet the needs of creative businesses will result in the eventual re-proliferation of alternative business support, but that in the meantime the health of the creative economy will be impaired.

Please also see the response to Q1.

Q11 Is there another option that you think we should consider and how would you justify it?

Yes. We would suggest a relatively slight modification of the current proposals, please see the responses to Q1 and Q7.

5. On the costs and benefits of simplifying business support:

Q12 If you have experience of using publicly-funded business support, what were the costs to you of finding out what was available to meet your needs?

Our experience, though anecdotal, is that businesses in the film industry on the whole do not attempt to use Business Link or other forms of publicly funded business support other than that provided or facilitated by the sectoral agencies (the national or regional screen agencies or the UK Film Council itself) because they otherwise struggle to find advice that is relevant or appropriate.

Q13 How much do you think our proposals could reduce your costs in looking for and understanding publicly-funded business support?

We believe that unless the proposals are amended to facilitate sectoral specialism within the Business Link network then the costs of businesses in the film industry, and probably in similar creative industries, will not be reduced and may increase.

Q14 How far do you agree with our initial estimates of the benefits and costs of simplifying publicly-funded business support?

It is disappointing that there isn't more detail, especially the impact on individual industries, however we believe there will not be any increase in effectiveness or efficiency in delivering support to businesses in the film industry, and probably in similar creative industries, as a result of the measures. There may be an economic advantage that accrues to the government as a result in savings made in reducing the overall number of schemes and focussing support on the business link network, but this is unlikely to be mirrored by a reduction in the costs of businesses in the creative industries.

Q15 Are there other benefits or costs to the proposals? For example, what other costs and benefits are there for the private sector, the third sector and for public, private and third sector providers of business support?

There seems to be an opportunity cost associated with failing to accommodate those private sector specialists providing services to creative businesses that a "one number" solution of a Creative Business Link would represent.

6. On the proposals as a whole:

Q16 How far will our proposals make it simpler for business to know what publicly-funded business support is available and how to access it?

Unfortunately we feel that the proposals will not make it simpler for businesses in the film industry to discover publicly funded business support that is relevant to their needs and they will need to resort to alternative means of obtaining advice that they feel is more relevant.

We can provide a detailed commentary on annex A and the additional information on the DTI web site if you feel this may be helpful in revising the proposals so that the needs of creative businesses are adequately met.