WESTMINSTER’S CREATIVE INDUSTRIES

October 2007

Final Report
Westminster’s Creative Industries

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This report has been produced by GVA Grimley LLP and Burns and Owens Partnership Ltd in commission of Westminster City Council.

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<tr>
<td>ABI</td>
<td>Annual Business Inquiry</td>
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<tr>
<td>CEP</td>
<td>Creative Economy Programme</td>
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<tr>
<td>DCLG</td>
<td>Department for Communities and Local Government</td>
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<td>DCMS</td>
<td>Department of Culture, Media and Sports</td>
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<td>DEED</td>
<td>Department of Employment and Economic Development</td>
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<td>DTI</td>
<td>Department of Trade and Industry</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GIS</td>
<td>Geographical Information System</td>
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<td>GLA</td>
<td>Greater London Authority</td>
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<td>GLC</td>
<td>Greater London Council</td>
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<td>GVA</td>
<td>Gross Value Added</td>
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<td>GWS</td>
<td>Great Western Studios</td>
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<td>IP</td>
<td>Intellectual Property</td>
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<td>IPA</td>
<td>Institute of Practitioners in Advertising</td>
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<td>LDA</td>
<td>London Development Agency</td>
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<td>LDF</td>
<td>Local Development Framework</td>
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<td>ONS</td>
<td>Office of National Statistics</td>
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<td>Regional Development Agencies</td>
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<td>SIC</td>
<td>Standard Industrial Classification</td>
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<td>UDP</td>
<td>Unitary Development Plan</td>
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EXECUTIVE SUMMARY

BACKGROUND

Creative Industries play a significant role in the national, regional and local economy. UK’s Creative Industries have a worldwide reputation and contributed £13 billion to the UK’s balance of trade in 2004. London’s creative sector alone is growing faster than any other industry except Financial and Business Services. Westminster is the UK’s central Creative Industries hub, accounting for 7% of the sector’s employees in the UK. The West End, Soho, St. James and Mayfair have the highest concentration of creative businesses in the UK, and possibly the world.

Creative Industries matter hugely to London. They are an important driver in the urban economy because they:

• are a source of jobs and growth
• provide the amenities to attract knowledge workers to a city or region
• are important intermediate inputs into the rest of the knowledge economy and public services
• have a role to play in quality of life and social sustainability, tackling social exclusion and strengthening cultural diversity

Westminster has long standing policies intended to promote and safeguard the Creative Industries. As the City Council develops a Core Strategy for its Local Development Framework (LDF) it wishes to examine its existing planning policies in relation to Creative Industries. The Council also wishes to get a better understanding of the specific needs of the sector and how it might be able to support the local Creative Industries Cluster through its economic development activities. As part of this process GVA Grimley LLP, in co-operation with Burns Owens Partnership Ltd, was commissioned by Westminster City Council to carry out a study of the Creative Industries in Westminster. The study involved a full policy and literature review, a detailed economic analysis, 600 quantitative telephone interviews with Creative Industries businesses in Westminster, and 34 in depth qualitative interviews with Creative Industries businesses and key stakeholders.

KEY FINDINGS

The strengths of Westminster as one of the most successful creative hubs in the world are formidable. The study confirmed that Westminster is an attractive location to creative businesses of all types for the expected reasons of: centrality, connectivity, density of businesses and consumers and availability of talent. Westminster is a global centre of excellence for a number of creative
industries, including film, post-production, fashion, television, advertising and new media. Areas such as Soho are historically linked to the development of these industries in the UK and globally. Westminster’s creative industries operate at the top of the value chain, and are able to access local, national and global markets. The creative ecology is highly diverse, with global players such as EMI, the BBC and Sotheby’s located alongside smaller niche companies. Westminster’s attracts a highly skilled global talent pool, who are drawn to work in the area because of the opportunities that it offers both financially, professionally and culturally. The area has a vitality and buzz about it that provides the perfect setting for creatives to work and play, making London one of the most attractive places for creative businesses in the world.

Despite these strengths, the research conducted for this report shows that there is no room for complacency if London is to retain its position as a pre-eminent global hub in the creative economy. Although Westminster contributes the most to the Creative Industries sector in London and the UK, the sector experiences significant threats and has not performed as well as in other places. A range of issues are adversely affecting businesses – and their decisions to locate or stay in Westminster. Some of these are geographically specific, some are industry-specific. There is a very different story for each of the four sectoral categories. However, there are a number of cross-cutting themes which demand urgent policy attention.

1. Increased competition.
   - Globally, Westminster’s creative industries face increasingly intense competition from both developed creative economies and most importantly from emerging creative economies such as India, China, Eastern Europe and South Africa.
   - There are a number of existing and emerging Creative Industries clusters in London outside Westminster and across the country which are attracting existing businesses and have a better offer for start-up businesses.

2. Decline in growth
   - Creative Industries employment in Westminster has grown at a slower rate than the rest of the country.
   - Other London boroughs have a higher concentration of Creative Industries employment than Westminster. Indeed, ‘creative intensity’ (the proportion of creative industry workers in creative occupations) has been falling in inner London since 1999.

3. Inflated rental and property costs
   - Property prices and rents have risen sharply in the recent years in Westminster because of demand from higher value sectors and uses. As a result a significant number of Creative Industries businesses are struggling to compete in the property market in Westminster.
• There is a risk that the Creative Industries sector in Westminster cannot sufficiently renew itself due to the prohibitive high rents for new/young companies. This lack of new market entries might have a negative effect on the entire sector in Westminster.

4. Need for investment in infrastructure and environment

• The research shows that many creative business leaders consider Westminster to be congested, dirty and difficult to travel around quickly. These factors detract from Westminster’s attractiveness as a global creative hub.

5. Lack of recognition

• Creative industries in Westminster feel that their vital role within the borough is not adequately recognised and celebrated. There is scope here for Westminster to reflect the unique contribution of the creative industries to the borough through street furniture, cultural events and more prominent marketing.

CREATIVE INDUSTRIES SUB-SECTORS

More specifically, the study analyses the Creative Industries in four ‘Policy-Maker-Friendly’ sub-sector groupings. The grouping takes account of the diversity of the Creative Industries sector as a whole and is appreciative of the differences in market structures, distribution mechanisms and consumption patterns which group sub-sectors according to their commonalities.

CREATIVE SERVICES

Creative Services are mainly client facing and earn their revenues in exchange for giving their time and intellectual property. This grouping includes architects, advertising agencies and Post-production. Creative Services businesses rely on a good environment and good transport access as they have regular face-to-face client meetings. This is something that Westminster provides. The grouping faces pressure in Westminster however due to the high property prices in the area. It also faces the threat of continuous digitisation creating uncertainty in the future. There is also the threat that advertising is going to become a lot more competitive with media owners and the consumer contributing to the cost pressure.

CREATIVE CONTENT

Creative Content businesses are enterprises that produce Intellectual Property, distributed to customers or audiences through sales, advertising or subscription to earn revenues. These include broadcasters, record companies, and all kinds of publishers, including software, computer games and electronic publishing. Westminster is the main Creative Content cluster in London and the UK. It is the home of the headquarters of the BBC and has large clusters in broadcasting, production and publishing. While Westminster is in a strong position restructuring in these types of
businesses means location is less important, and some outsourcing to Eastern Europe and the Far East has already begun. The BBC has also started to move some of its departments elsewhere in the UK and property prices in Westminster continue to hamper these businesses. This Westminster’s Creative Content cluster also faces competition from new clusters in other parts of London, the UK and internationally.

CREATIVE ORIGINALS

Creative Originals are enterprises, or sole traders, whose work is based on the manufacture, production or sale of physical artefacts, the value of which derives from their perceived creative or cultural value and exclusivity (i.e. they are not mass-produced, but produced as one-offs or in limited production runs). These include Designer Fashion, Crafts based activities such as Jewellery, and Arts and Antiques. Westminster is in a strong position because it is at the heart of the fashion industry and the centre for antiques dealing. It faces serious threats in Westminster because of property prices and the demolition of Great Western studios which is the main location of Creative Originals businesses.

CREATIVE EXPERIENCES

Creative Experiences are those in which the core business model is based around selling the right for consumers to witness or experience specific activities, performances or locations. These fall within the area of music and the visual and performing arts, and include live theatre, music, opera and dance, which are consumed at the time and place of performance, rather than through recordings or broadcasts. Creative Experiences are a major contributor to London as a tourist attraction and its world city status. Whereas Westminster is leading with regards to Theatres and Cinemas – with “Theatre Land” around Covent Garden and Leicester Square attracting many high profile movie premieres – its role with regards to live music has become secondary behind places like Camden, Brixton and parts of East London.

POLICY IMPLICATIONS

The economic analysis shows that if Westminster City Council wants to keep and strengthen its role as the nation’s (if not the world’s) largest Creative Industries cluster it needs to improve the necessary conditions for the sector to flourish within Westminster. The policy implications that arise from this study are grouped around general issues and policies, planning policies and business support.
GENERAL ISSUES AND RECOMMENDATIONS

- **Sustaining London as a global creative hub.** The Creative Industries contribute to and benefit from this status so Westminster City Council must continue to support London’s role as a world class city.

- **Engaging With Government.** The Creative Economy Programme has been launched by DCMS and DTI in 2005 and the Government is working on a Green Paper in the Creative Industries which is due to be published in June 2007. It seems appropriate that Westminster as the local authority with the highest number of creative industries takes a pro-active role in the future of national policy towards Creative Industries.

- **Cross-border working.** Neighbouring Boroughs have high numbers of creative businesses and they can offer cheaper rents than Westminster. Instead of losing creative businesses to its neighbours, Westminster should work with them to minimise their loss to the while still benefiting from them being in close proximity.

- **Great Western Studios.** This is a major location for creative businesses in Westminster but the Cross Rail expansion puts its future in doubt. Westminster City Council should continue to work to find a suitable space for relocation within Westminster.

PLANNING ISSUES AND RECOMMENDATIONS

- **Creative Industries Special Policy Area.** The policies in the UDP around the Creative Industries Special Policy Area should be reconsidered. The policies are designed to protect light industrial floorspace, but very few creative businesses actually use this type of space. The geographical area also needs to be reconsidered, as a majority of creative employees and businesses are located outside of it. The area should either be redefined or there should be a Borough wide policy instead.

- **Protection of Music Venues:** Music Venues are important to Westminster’s tourism and world city offer and contribute to its “creative buzz”. The loss of a music venue reflects an irreversible cultural loss. The Study therefore recommends that Westminster protects the current music venues.

- **Appropriate Mix of Uses:** There are synergies between Creative Industries and the leisure industry in Westminster. The balance of these uses has to be maintained to provide the optimum benefit to both the Creative Industries and the leisure industry.

BUSINESS SUPPORT IMPLICATIONS

- **Creative Industries Forum.** The Study recommends establishing a Creative Industries Forum to discuss the specific needs of the sector and how Westminster City Council might be able to support this important part of the economy. This Forum should contain senior
representatives of the Council Planning and Economic Development departments and Creative Industries Trade Associations, key businesses, skills councils and regeneration agencies.

- **Developing Core Skills of Existing Creative Industry Businesses.** The research has identified a lack of commercial awareness and core business skills among some of the Creative Industries employees and business owners. The study recommends that Westminster Council in co-operation with existing business support service organisations targets specifically the Creative Industries sector.

- **Building links between schools and Creative Industries:** There is a skills challenge facing the sector with a potential mismatch in the future. The creation of a new diploma specifically for the Creative Industries presents Westminster with an opportunity to be a pilot area for this study.

- **Maintaining Reliable Power Supply in the Borough:** This is a key issue for creative businesses and Westminster City Council should ensure the right processes are in place to serve Creative Industries with a reliable power supply.

- **Marketing and Inward Investment:** The study shows that many Creative Industries feel that Westminster City Council could play a more proactive role in marketing the local Creative Industries cluster attracting more creative businesses to the area and raise awareness of the cluster.

- **Business Grants for rent security:** In order to aid start-ups Westminster City Council should provide financial assistance for rents to allow new businesses to establish themselves in the Borough.
1. INTRODUCTION

BACKGROUND

1.1 Creative Industries play a significant role in the UK’s economy and have a reputation of being amongst the best in the world. They contribute 7.3% to the nation’s Gross Value Added (GVA) and contributed £13 billions to the UK’s balance of trade in 2004. Westminster contributes considerably to the UK’s Creative Industries with 7% of all UK Creative Industries employees being located in Westminster. The West End, i.e. Soho, St. James, Marylebone and Mayfair have probably the highest concentration of creative businesses in the UK – if not in the world.

1.2 Westminster has long standing Unitary Development Plan (UDP) policies and designations intended to promote and safeguard the Creative Industries. As the City Council moves towards the development of a Core Strategy for its Local Development Framework (LDF) it wishes to examine its existing planning policies in relation to the Creative Industries and consider where policy modifications could be made.

1.3 GVA Grimley LLP, in co-operation with Burns Owens Partnership Ltd, was commissioned by Westminster City Council to carry out a study of the Creative Industries in Westminster. The study provides a more detailed understanding of the nature and requirements of the Creative Industries in Westminster and the impact of planning policies on their location and activity. Furthermore, the study will inform both the development of the City Council’s Civic Enterprise Programme and a review of its Economic Development Strategy.

THE BRIEF

1.4 The key requirements of the Creative Industries in Westminster Study are summarised below:

- Provide a detailed analysis of the nature and requirements of the Creative Industries in Westminster and the impact of planning policies on their location and activity
- Quantify the economic contribution of the Creative Industries to London’s and Westminster’s economy

• Inform the Local Development Framework process, the Civic Enterprise Programme and the review of the Economic Development Strategy

• Undertake a quantitative and qualitative survey with the following target groups
  - Creative Industries businesses
  - Arts and cultural institutions
  - Local regeneration agencies
  - Training providers

• Provide advice on the viability of affordable workspace for Creative Industries in Westminster

• Develop sub-sector profiles based on the research undertaken

• Provide conclusions and recommendations for the Council to consider, regarding each sub-sector as well as the Creative Industries as a whole.

METHODOLOGY

1.5 The study was carried out using primary and secondary research methods to build a clear understanding of the Creative Industries. The definition of Creative Industries and the main methods used in the study are described below.

DEFINITION OF CREATIVE INDUSTRIES

1.6 In this study the Department of Culture, Media and Sport (DCMS) definition of Creative Industries has been used, which includes the following sub-sectors:

• Designer Fashion
• Publishing (print)
• Music and the Visual and Performing Arts
• Video, Film and Photography
• Software, Computer Games and Electronic Publishing
• Art and Antiques
• Architecture
• Advertising
• Radio and TV
1.7 A table of the 4-digit Standard Industrial Classification (SIC) codes assigned to each sub-sector is provided in Appendix A.

POLICY AND LITERATURE REVIEW

1.8 Desktop research, incorporating a full policy and literature review of those documents and studies that impact on the Creative Industries, was carried out in late 2006. The national, regional and local policies were reviewed in order to understand the different influences on the Creative Industries. National Government policies from the Department of Culture, Media and Sport (DCMS), the Department of Trade and Industry (DTI) and the Department for Communities and Local Government (DCLG) are reviewed, including the Creative Economy Programme. The policies that affect the Creative Industries on a regional level were then reviewed. Policies and programmes from the Regional Development Agencies (RDA’s), i.e. the London Development Agency (LDA) and the Greater London Authority (GLA) were examined. Finally, Westminster’s own policy approach to the Creative Industries was explored.

1.9 The review of the literature on Creative Industries draws on studies and papers by academics and think tanks from the UK and beyond. It identifies the major findings from the studies and puts them in a context relevant to Westminster.

ECONOMIC ANALYSIS

1.10 The economic analysis draws on statistical information on creative businesses and employees from the Office of National Statistics (ONS) and the Annual Business Inquiry (ABI). To quantify the number of businesses and employees in the Creative Industries sector only a proportion of businesses and employees for certain 4-digit sub-sectors were included. For example, we only included a proportion of the ‘Publishing of Software’ (SIC 7221) relating to ‘creative software’ such as computer games. These proportions are based on work done by the GLA on Creative Industries2. This approach allows a comparison between the findings of this study with the work done by the GLA. The analysis included mapping Creative Industries businesses and employees using GIS.

SURVEY

1.11 The survey work included a quantitative and qualitative survey.

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2 London’s Creative Sector: 2004 Update, GLA
1.12 For the quantitative survey we approached 4,079 Creative Industries businesses in Westminster. Of these 724 were not contactable due to various reasons (they had gone out of business, incorrect contact details, etc). This left a ‘live’ sample of 3,355 businesses out of which we completed 600 telephone interviews. This results in a response rate of 18% which corresponds to our previous experience with telephone surveys and is much higher than the average response rates achieved though other survey methods such as postal and electronic questionnaires.

1.13 The telephone interviews were based on a structured questionnaire containing both open and closed questions. The questionnaire was developed in consultation with Westminster City Council and businesses from each of the Creative Industries sub-sector groupings and two umbrella organisations. The telephone interviews were carried out by Research and Marketing Ltd from January to March 2007.

1.14 The qualitative survey was carried out as semi-structured face-to-face and telephone interviews. In total we spoke to 34 organisations which included:

- 17 representatives of key businesses
- 5 arts and cultural institutions
- 5 local regeneration agencies
- 4 training providers
- 2 housing developers
- 1 academic expert
2. POLICY AND LITERATURE REVIEW

LITERATURE REVIEW

2.1 Urban policy makers are increasingly showing an interest in the potential for Cultural and Creative Industries to help drive innovation within their cities and to provide a sustainable and high quality employment base. The Work Foundation, in its report on ‘Ideopolis’, (Work Foundation, 2006) summarises the now widely accepted argument that cities matter in modern economies; offering businesses access to highly skilled workers, affluent consumers and, above all, the ability to innovate and exchange ideas through face to face contact. But there are also aspects of the creative and cultural industries in particular, not least their close relationship with urban milieu and their potential for spillovers into consumption and leisure industries, that are of particular relevance to the urban economy.

2.2 It is not just that the creative sector is concentrated in the urban conurbations, but that much of its ‘support infrastructure’ is inseparable from that of the urban milieu, as exemplified by the dense links between cultural amenities, leisure, recreation and the Creative Industries employment base, of creative hubs like Los Angeles, New York and Westminster.

2.3 The UK has been a pioneer in Creative Industries policy (DCMS 1998, 1999) and much of the writing on ‘creative cities’ (e.g. Landry, 2000; Zukin, 1995) has been from a European or North American perspective. But both the rhetoric and the serious policy making surrounding Creative Industries is finding new homes – particularly in Asian global cities such as Hong Kong, Singapore and Shanghai. This globalised discourse around Creative Industries is making many urban policy makers, even in self-evidently successful cities such as Westminster, consider their competitive position.

2.4 This literature review provides part of the baseline for the study of Creative Industries in Westminster. It will start from a consideration of why Creative Industries are high on the policy agenda in many cities and regional economies. We will then look at recent policy work, and some older literature, on London, in particular, before looking at the factors that support the location of a Creative Industries workforce in an area like Westminster.

THE ATTRACTION OF THE CREATIVE INDUSTRIES

2.5 There are four primary reasons why urban policy makers have been interested in attracting and retaining Creative Industries employment:
1. They are a source of jobs and growth. In many developed economies the Creative Industries have been growing faster than the rest of the economy, and the UK is no exception, though the rate of growth has slowed slightly in recent years. Within London, over half a million people work directly in the creative industry sectors or in creative occupations in other parts of the economy. In addition, the Creative Industries add around £21 billion to London’s output, making them second only to business services as a sector within the capital’s economy.

2. They help provide the amenities that attract knowledge workers to a city or region. As Richard Florida (2002) and others have pointed out, the existence of cultural and creative amenities in a city, and a city’s reputation for ‘buzz’ are one of the criteria which skilled labour may use when deciding where to live and work. Unlike other parts of the UK, where global labour mobility is not a major factor in economic growth, London does compete in global labour markets – particularly in business and financial services and in higher education. Thus, almost a third of London’s workforce possesses a degree or other higher educational qualification, compared with a quarter of the labour force in the rest of the UK. The degree of knowledge worker mobility may be over-played by Florida, basing his assumptions, on the North American experience. Furthermore, it is worth bearing in mind that business location surveys consistently rank access to qualified staff, transport and even office rents above quality of life in location decisions. However, the cultural and creative ‘offer’ of London, and of Westminster at its heart, is an integral part of its ‘world city’ status.

3. Creativity and design are important intermediate inputs into the rest of the knowledge economy and into public services. Globally, the UK’s Creative Industries are in a highly competitive environment with many countries and regions trying to enhance their economic performance by boosting their innovation systems. Many argue, and the Government’s Cox Review (2005) supported them, that the way to do this is to link creativity – cultural, artistic and social - with innovation. This is by making more space within innovation systems for what Lester & Piore, (2004), call ‘interpretative innovation’, “the capacity to experiment, and the habits of thought that allow us to make sense of radically ambiguous situations and move forward in the face of uncertainty.” Doing this means more inter-disciplinary research and development across the economy and a stronger role for design, within both products and services. London’s design base in higher education is unparalleled in the UK and highly competitive internationally, and the institutional depth of London means that it is well placed to do this sort of brokering and exchange between the traditional disciplines of science, arts and design.

4. They have a role to play in quality of life and social sustainability. This is a variant of Florida’s arguments that cultural amenities attract knowledge workers; but it is one that is focused more closely on citizens and on non economic benefits. The sometimes
attritional nature of London – high property prices, congestion, over-stretched public services and inadequate public transport - could pose a longer term threat to the capital’s economic dominance (Oxford Economic Forecasting, 2006). The quality, diversity and buzz of London’s lifestyle offer has to provide some counterpoint to that. A growing body of evidence suggests participating in cultural and creative activities helps build connections between people, including people from different backgrounds. Jeanotte (2003) argues that Creative Industries help develop various elements of social capital such as trust and tolerance (Stole and Rochon, 1998). The research in this area is embryonic and far from incontrovertible; but it does appear clear that, properly managed, within urban systems, cultural and Creative Industries can have a role to play in helping develop cities that are exciting to live and work in for all citizens.

THE IMPORTANCE OF FACE TO FACE

2.6 The ability of expensive, inner-city neighbourhoods to retain their productive employment in the Creative Industries is often a source of puzzlement to many – perplexed by how, as distance work becomes technically easier, creative and cultural workers remain bound to place. But as much recent research has demonstrated (Pratt, 2005a & b; Neff, 2005; Storper & Venables, 2004) – even new digital technology firms have a surprising tendency to co-locate, generally in major cities – and often within the same neighbourhood or even building.

2.7 There are several reasons for this and, importantly, they often re-enforce one another. The importance of face to face communication, particularly at the early, developmental, stage of projects, when uncertainty is high and negotiations are complex has been examined among others by Pratt (2005b), in his discussion of the film industry in London. This constant exchange of information, together with other, informal examples of information exchange such as rumour or industry gossip are the type of ‘untraded dependences,’ which are seen as crucial to the ability of these firms to innovate in what are often fast changing markets.

2.8 In addition, the structure of such industries, a few large players, surrounded by much smaller companies and, in many cases, a large pool of freelance labour, means that this kind of information exchange often happens beyond the boundaries of the firm, adding to the importance of close, often social, settings. Gina Neff’s work on digital media in New York’s Silicon Alley (Neff, 2005), an area not dissimilar to Westminster, demonstrated the importance not only of social ties, but of places where these social ties could be built. Thus the ‘night time economy’ of Lower Manhattan; its parties, restaurants, bars, clubs and informal gatherings, played a crucial part in enabling exchange between the large number of small, new media firms in the city. The leisure infrastructure was thus not just about
consumption – but enabled firms and particularly freelancers to be more productive by giving them somewhere to tune into industry ‘noise’ – rumours, impressions, recommendations, trade folklore, strategic information and so on (Grabher, 2002).

2.9 Where these meetings take place can also be invested with what is sometimes referred to as symbolic capital. The association of warehouse spaces with artists, or former industrial areas with creativity, is a sort of value albeit sometimes a problematic one, (as, arguably in the case of Hoxton). In advertising, film or design, Soho has symbolic value, as difficult to replicate as it is to put a precise figure on. ‘Having the right address,’ remains important in these sectors – if only in the hope that the symbolic association will rub off on the firm. Thus neighbourhoods with the reputation for fostering creative production, provide creative firms with both material (access to networks and freelance labour) and symbolic resources that facilitate creative activity.

2.10 In addition, these factors are often dependent on one another, ratcheting up place dependency through the combination of access to labour pools, tacit information, the reputation effects of the right address and the cultural consumption preferences of workers. None of this is meant to suggest that the density of Creative Industries employment in Westminster is set in stone; there are threats, as described above, and it may be that the City Council wants to focus its efforts on particular sub sectors or parts of the value chain. The point is that the story of urban creative milieu is one that is historically based and highly path dependent, and in that regard, Westminster is as well-placed as anywhere in the UK.

CAUTIONS AND CONCERNS

2.11 The appeal of Creative Industries for cities is clear, but there are concerns that the development of such sectors, particularly within ‘creative hubs or quarters’ can have the effect of simply driving up local property prices and threatening the very creative ecology on which the development has been built. As Peter Hall's monumental, ‘Cities in Civilisation (1998),’ demonstrates, creative environments are also fragile and can easily be eroded or destroyed. The US writer Rebecca Solnit (2000), details what she saw as the erosion of the creative milieu in her native San Francisco during the dot com boom. A huge and unbalanced rise in land and property values effectively excluded all but the wealthy from living in the city, driving out artists together with a whole host of community organisations and low-income groups. She argues that in order to thrive as a creative place, a city needs to be kept ‘porous,’ that is open to new people and ideas. A closed system, as Hall demonstrates in his analysis of nineteenth century Lancashire or Vienna, can easily become stultified and the creative ‘gene pool’ of ideas becomes too small. This
is not just an issue of size, but of complexity and in the Creative Industries, homogeneity can be as much of a danger as loss of business altogether.

2.12 The degree of concentration of Creative Industries within London is a source of anxiety to both national and London policy makers, and it was one of the stated aims of the Creative London initiative to help the dispersal of creative industry jobs throughout the capital.

2.13 At a national level, the growth of the public sector and public investment in Creative Industries has tried to ‘re-balance’ the UK economy in geographic terms, but with only limited success. In recent years most of the growth in cultural and creative sectors in the UK has been in small cities. Only 18 cities exceeded the English average change of 0.9%, though it is notable that the majority of these are located in the south and east. They include obvious places like Cambridge, Oxford, Brighton, but also less obvious ones like Luton, Aldershot/Guildford, Crawley and Milton Keynes (ODPM, 2006). Within London, East London is notable for having vied, relatively successfully, to become the centre of ‘creative London,’ in the wake of the Brit Art phenomenon, though the unbalanced nature of Hoxton’s property boom, cast something of a shadow on that (Evans, 2004).

2.14 However, there remain distinct concentrations of employment in specific sub-sectors, such as advertising, which is heavily represented within Westminster, and according to recent GLA figures (GLA Economics, 2006), is the most concentrated of the creative industry sub-sectors within London. Around 40% of advertising employment is located in London, compared to 16% of design employment and 17% of heritage, museums and galleries employment located in the capital. The subsidised cultural sectors tend to have a more dispersed profile, in part at least as the result of 50-odd years of Arts Council and other public funding, but this is also consistent with other parts of the UK economy, where the public sector is relatively more important as an employer (particularly of graduates) the further one gets from the capital.

2.15 Other threats to London are more likely to be extra-national. One of the perhaps surprising things for Creative Industries researchers is the degree to which the term has gained an international following and international policy traction (Cunningham, 2003). This is particularly noticeable in the Asia Pacific region and includes developed economies such as Australia, New Zealand and Singapore, as well as developing ones such as Taiwan and mainland China. In particular, Shanghai’s determination to enter the Premier League of global cities is reflected in the breakneck pace of its building (Abbas, 2000) as well as the high priority given to developing various cultural enterprises and creative industry parks.
POLICY REVIEW

2.16 This section of the study is designed to set the scene for the wider policy context under which the Creative Industries agenda has developed. As will be clearly demonstrated, Westminster’s Creative Industries approach can be understood within a much larger global policy context.

2.17 Creative Industries is a relatively recent concept, articulated at a policy, industry and academic level and developed to capture the new economy dynamics in a way that arts, media and cultural industries could not. It represents a conceptual shift away from the ‘cultural industries’ approach of the 1970s and 1980s which took a broadly interventionist approach. The cultural industries approach sought to reconceptualise established commercial sectors (such as film and broadcasting) as cultural, and to facilitate urban regeneration through applied arts practices and clustering strategies. It is an approach associated with subsidising the arts for aims of audience development, community involvement and professionalisation. In the UK recognition of the contribution of the Creative Industries to the economy came in the form of the Creative Industries Task Force Mapping Document (1998, 2001). It defined the Creative Industries sector as comprising of the following activities: Advertising, Architecture, Arts and Antique Markets, Crafts, Design, Designer-Fashion, Film, Interactive-Leisure-Software, Music, Television and Radio, Performing Arts, Publishing and Software. This list, therefore, included analogue activities (arts, crafts, antiques, architecture), established audio-visual sectors (film, television, radio), and newly emerged digital sectors (software, interactive leisure software). This list has since been criticised for being rather arbitrary, and bundling together sub-sectors of the economy with very different characteristics, and economic drivers, but the Task Force certainly had the desired effect of successfully raising the profile of the creative economy, and Britain’s cultural profile.

2.18 It is only in the last ten years that Creative Industries has become a policy object in its own right at the international, national, regional and local level. Under this policy, culture and creativity has been harnessed to a number of wider political and policy objectives concerned with economic development and regeneration. These include developing economic competitiveness, driving forward urban regeneration and tackling social exclusion. Moreover, Creative Industries policy has become a global phenomenon,

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increasingly being taken up in Asian global cities as urban policy makers consider their competitive position.4

INTERNATIONAL

2.19 ‘Cultural industries’ policy had already emerged as a global discourse, in particular with the adopted use of the term by UNESCO in the 1980s.5 However, what is different about Creative Industries policy, as it emerged in the late 1990s, is the explicit focus on markets and economic development within an increasingly competitive global context. Following the emergence of this policy approach there has been a rapid internationalisation of the Creative Industries agenda as it has been adopted with vigour around the world. For example, Creative Industries policies have evolved in countries as diverse as China, Japan, Canada, Australia, New Zealand and Singapore, to name but a few. However, this has led to some conceptual confusion, since on the global level there is no clear agreement as to the definition of the Creative Industries.6 Moreover, a range of different policy objectives are pursued in disparate countries, all under the banner of ‘Creative Industries’, including the pursuit of national industrial and innovation policy, promoting cultural policy objectives, building international competitiveness more generally and place-marketing in specific cities.7 At present this confusion remains, but it is clear that the Creative Industries policy making approach is increasingly the policy approach for understanding the challenges and opportunities of the creative economy.

NATIONAL CONTEXT

MAPPING THE CREATIVE INDUSTRIES SECTOR

2.20 At the national level, Creative Industries policy is associated with Labour’s rise to power in 1997. The newly created Department for Culture, Media and Sport (DCMS) immediately embarked on a process of mapping the Creative Industries sector. This led to the publication of the two Creative Industries Mapping Documents, published in 1998 and 2001.8 This process produced the empirical definition of the ‘Creative Industries’, as well as demonstrating the scale of the Creative Industries and their important economic contribution to the UK economy. The latest key findings from DCMS show the following:

6 The term ‘creative industries’ is not consistently used internationally, and many other terms are used to describe these industries, groups of sub-sectors, and/or related industries. Terms used include ‘cultural industries’, ‘copyright industries’, ‘content industries’, and ‘experience industries’.
• The Creative Industries in the UK generate revenues approaching £60 billion per annum
• The Creative Industries accounted for 7.3% of Gross Value Added (GVA) in 2004
• The Creative Industries grew by an average of 5% per annum between 1997 and 2004.
• The Creative Industries in the UK employ more than 1.8m people, comprising 1 million people employed in the Creative Industries and a further 780,000 people employed in creative occupations outside of the Creative Industries sector.9

2.21 However, for several years little policy work actually happened at the national level, despite DCMS’s pioneering lead. This was partly because the Creative Industries policy agenda was taken up very vigorously at a regional and local level, as shall be explored below.

CREATIVE ECONOMY PROGRAMME

2.22 The situation at the national level changed in November 2005 when the DCMS, working with the Department for Trade and Industry (DTI), announced the establishment of the Creative Economy Programme (CEP). The CEP has a clear mandate to champion British Creative Industries and to establish the UK as a global ‘creative hub’. The initial work of the Programme has been based around seven key areas:

1. Education and skills
2. Competition and Intellectual Property
3. Technology
4. Access to Finance and Business Support
5. Diversity
6. Infrastructure
7. Evidence and Analysis

2.23 With the exception of the underpinning ‘Evidence and Analysis’ theme, these issues are all key productivity drivers for the Creative Industries. Within CEP they are being addressed by working groups, formed mostly from officials from DCMS, non-governmental public bodies (NDPBs), other government departments and the regional development agencies (RDAs).

CREATIVE INDUSTRIES GREEN PAPER

2.24 A Green Paper is due to be published this year, which will provide a full analysis of the UK’s Creative Industries, the opportunities and threats facing them, an analysis of existing public policy regimes, and an exploration of opportunities for government to work with industry, public bodies, and regional and local partners to develop the creative economy. Additionally, the Creative Industries policy agenda within government is broadening, as other departments take an interest: for example, the Department of Communities and Local Government (DCLG) has recently undertaken an internet review of the role of the Creative Industries within regeneration.

COX REPORT

2.25 In 2005, Sir George Cox was commissioned by the Treasury to look at how best to enhance UK business productivity by drawing on our world-leading creative capabilities. The Cox Review of Creativity in Business included the following key recommendations:

- The establishment of a national support programme, modelled on the Design Council’s work with businesses, to help SMEs use design.

- Improve the effectiveness of government support and incentive schemes, prominent among which is the Research and Development (R&D) Tax Credits system. This would establish whether strategic design work should be eligible for R&D tax credits.

- Setting up centres of excellence in higher education for multi-disciplinary courses combining management studies, engineering and technology and creative disciplines. This would tackle the issue, in higher education, of broadening the understanding and skills of tomorrow’s business leaders, creative specialists, engineers and technologists.

- A new approach to public procurement to encourage suppliers to be more innovative.

- Raising the profile of the Creative Industries through a national network of design centres, with a national hub in London.

GOVERNMENT PROGRAMMES

2.26 The DCMS has lead responsibility in Government for Architecture, the Arts & Antiques Markets, Crafts, Designer Fashion, Film & Video, Music, Performing Arts and Television & Radio. They share responsibility with the DTI for Advertising, Computer & Video Games, Design and Publishing. The DTI is responsible for Software. Within this framework the key national policy agendas for the Creative Industries are:
• **Creative Economy Programme.** Making the UK ‘the world’s creative hub’ through the Creative Economy Programme.

• **Exports.** DCMS helps creative businesses to export goods and services to overseas markets, by working with industry-led export groups to develop the strategy for the export of goods and services from the Creative Industries. This aims to make a significant contribution towards boosting Creative Industries economic potential at home, while raising awareness of the UK’s role at the heart of worldwide creativity and innovation.

• **Education and skills.** Through the sector skills councils, DCMS is tasked with developing the skills base for the Creative Industries. DCMS is working to ensure that the Creative Industries thrive, recognising that it is critical to their success that they have access to a skilled workforce and to training.

• **Regional Support.** Creative businesses are encouraged to take full advantage of regional and local organisations because they often offer to help and support the areas of most concern; i.e. access to finance, skills development and exporting to overseas markets.

• **Access to Business Support & Funding.** DCMS works across government and with other organisations to ensure that the Creative Industries have all the support they need to succeed.

2.27 The DCMS also has a 5 year plan where amongst others it has made the following commitments:

• Personal enrichment. To engage nearly half a million people a year in some form of sport or physical activity and to ensure that everyone has access to a rich cultural life.

• That the £1billion invested in sport will improve facilities in every community.

• The availability of a new £6 million quality and innovation fund for culture. Could this be referenced along with the Creative Economy Programme and the Green Paper within a recommendation around engaging with Government?

• To strengthen their links with local government and regional bodies to ensure high quality services wherever people live in this country.

• Continue to look after the country’s cultural assets. For example, in supporting galleries and museums, DCMS has pledged investment and financial support for national and regional museums and galleries to the figure of £423 million in 2007-2008.

• Raising international prestige through events such as the 2012 Olympics and Paralympics.
• Continue to support economic prosperity through the Creative Industries. This will include placing Britain at the forefront of digital developments, in particular through the full switchover from analogue to digital television.  

CREATIVITY, DESIGN AND BUSINESS PERFORMANCE

2.28 Furthermore, to coincide with the Cox review, the DTI undertook a study into the ‘value and productivity impact of creativity and design in business, helping firms to identify how creativity can improve their performance.’ The research emphasised the importance of “intermediate inputs” into the creative economy, particularly from creative services such as design and advertising. Creativity and Design, it is argued, are important competitive tools for firms, raising profile and so demand (through such activities as branding), raising productivity (through process design for example which can raise the efficiency of production), and determining non-price characteristics (such as style, durability or waiting time), which can impact on demand. The implications for Westminster are that they need to be aware of how such creative services provide value-added inputs to the entire creative economy, boosting innovation in business.

NATIONAL PLANNING POLICIES

2.29 There are no specific town planning policies for the Creative Industries at a national level. Planning Policy Statement 1 (PPS1, 2005) sets out the Government’s national planning policies for sustainable communities. It states that planning policies should be designed to ensure they deliver sustainable development. In particular, planning authorities should produce policies that create sustainable economic development. While it does not mention Creative Industries in particular it does consider the commercial sector and states that planning authorities should:

Ensure that suitable locations are available for industrial, commercial, retail, public sector (e.g. health and education) tourism and leisure developments, so that the economy can prosper.

2.30 Another national planning document, Planning Policy Guidance 4 (PPG4, 1992), sets out planning guidelines for local authorities for industrial and commercial development and small firms. It states that:

Policies should provide for choice, flexibility and competition. In allocating land for industry and commerce, planning authorities should be realistic in their

assessment of the needs of business. They should aim to ensure that there is sufficient land available which is readily capable of development and well served by infrastructure. They should also ensure that there is a variety of sites available to meet differing needs. A choice of suitable sites will facilitate competition between developers; this will benefit end-users and stimulate economic activity.

2.31 In Westminster land is scarce and expensive so the key for the City Council is to ensure the provision of suitable premises for the different needs of the economy.

REGIONAL

2.32 Whilst national policy interest has been intermittent since 1997, the Creative Industries agenda has been enthusiastically embraced at the regional level throughout the UK. Indeed, all but one of the English regions has placed a strategic priority on the creative sector with the most commonly prioritised sub-sectors being digital media and film and television followed by design, fashion and visual art. All of the regions have reported strong growth rates in recent years, with generally high rates of new business formation. In every region, sector-specific support agencies have been launched at either regional or local levels.

2.33 The RDAs have focused on this sector to maximise the benefit for their areas, and to maintain and develop competitive advantage. Across the English regions, the Creative Industries have been identified as integral to regional economic growth and, over the last six years, the regions have been pioneering new and innovative models for supporting and growing the sector. Research into the development framework for the Creative Industries at the regional level identified four key policy areas that have been emphasised by the RDAs:

1. Ideas development
2. Skills development
3. Company development
4. Market development

2.34 In recent years regional partners have had the freedom to undertake strategies and investments closely aligned to their particular creative economies. Partnerships have been formed with educational institutions, who, through new regional structures, are starting to engage with and support the creative sector. Also, much progress has been made in

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establishing the evidence base, developing measurement frameworks, and acquiring detailed sector information. Without exception, better strategic integration and leadership is felt to be emerging among regional partners. However, the weaknesses and constraints that have been identified remain, including skills, business support, enterprise and (crucially) access to markets.13

THE MAYOR’S COMMISSION ON THE CREATIVE INDUSTRIES

2.35 In London, there have been two main Creative Industries policy drivers at the regional level. First, the Mayor’s Commission on the Creative Industries was established in 2002, and led to the formation of Creative London, the strategic agency for London’s Creative Industries based with the London Development Agency (LDA). Research undertaken for the Commission showed that London is the UK’s creative capital, with 29% of jobs in the creative sector as a whole. Indeed, economically the Creative Industries is one of the fastest growing sectors in the city, employing over 500,000 people and generating £21bn annually.14 With growth rates of 4.5% expected in the medium term, this would mean that Creative Industries would be worth £30bn by the time of the Olympics in 2012 and worth more than the city’s financial sector.15 While there is some considerable controversy over these claims, it is undoubtedly true that the Creative Industries are set to play a central role in the economic development of London in the coming years.

2.36 In terms of specific policies, Creative London has focused on providing access to funding and business support; legal advice (particularly Intellectual Property); promotion of the capital’s Creative Industries on a local, national and international level; and to act as a cohesive voice to represent the Creative Industries in London as a whole.16 Therefore, there are clear implications for Westminster, as the heart of the Creative Industries in London, to be in dialogue with Creative London at a strategic level to discuss common issues facing Creative Industries across the capital.

2.37 The emphasis of promoting Creative Industries was initially focussed on those relatively economically weak areas at the fringes of London’s central business district. As we understand it, this is in the process of change and the focus is much more on the role of Creative Industries in strengthening London’s place as a world city as reflected in the Mayor’s Cultural Strategy (see paragraph below). This puts Westminster and its Creative Industries higher up in the Commission’s agenda.

13 ibid.
**LONDON’S CULTURAL STRATEGY**

2.38 Second, the Mayor’s Cultural Strategy also focused on the importance of the cultural and Creative Industries to London. However, whereas the Commission examined the economic contribution of the Creative Industries, the Cultural Strategy took a much wider perspective on the role of culture in establishing London as a ‘world-class city’. This involved exploring the role of culture in terms of tourism, cultural participation, and promoting diversity.

2.39 Specific policies that emerged from the Cultural Strategy include:

- Ensuring that London’s cultural institutions and events are of a high-quality, world-class standard.
- Making improvements in infrastructure and support to realise the cultural potential of London’s diversity.
- Developing and promoting the brand of London as a world cultural city and tourist destination.
- Recognising the contribution of creativity to London’s economy and success.
- Supporting cultural education programmes at all levels to maintain the flow of new talent in the UK creative economy.
- Providing access to culture for all Londoners.
- Encouraging cultural activity in the development and regeneration of London.
- Making sure that London receives the resources for culture that are commensurate with its demographic, economic and spatial needs.

**THE LONDON PLAN**

2.40 The London Plan is also relevant for the Creative Industries. It is the Spatial Development Strategy for the Greater London Area and was adopted in 2004. It sets out the Mayor’s vision for London for the next 15 to 20 years. It covers social, economic and environmental development and combines the geographical and physical dimensions of the Mayor’s other strategies, including his Cultural Strategy.

2.41 The Plan sets out a number of objectives to improve London including housing, the economy and transport. The Creative Industries are a key policy driver under Objective 3 of this strategy "to make London a more prosperous city with strong and diverse economic growth".
2.42 To help achieve this objective the London Plan states that it supports emerging dynamic sectors of growth including the Creative Industries. Policy 3B.9 states:

> Working with strategic partners, the Mayor will identify the needs of key creative industries, especially those of micro businesses, and will seek competitive development capacity to retain them in London, where they benefit from a world city environment.

> UDP policies should identify and support the development of clusters of creative industries and related activities and environments. Existing clusters should be protected. Further support should focus on developing creative industries in identified priority areas to drive regeneration.

2.43 The London Plan also states it will promote culture via the Mayor’s Cultural Strategy (Policy 3D.4). It states UDPs should promote and protect cultural areas and this provides the Creative Industries with further development potential. It encourages the promotion of “cultural quarters” to ensure there is affordable workspace for the industry to thrive. Furthermore, the Plan states that all planning and economic development policies should encourage the growth of the sector.

2.44 The London Plan was reviewed in September 2006 and minor draft amendments were made to Policy 3B.9 on the Creative Industries. The policy now concentrates on helping Creative Industries businesses of all sizes, as opposed to micro businesses emphasised in the original Plan.

LOCAL

2.45 While national and regional policy initiatives in this area have generated a great deal of publicity, at the local level there has long been recognition of the economic potential of the creative and cultural industries. In the early 1980s cultural industries policies emerged in London, under the auspices of the GLC. These policies were based on infrastructural support for grassroots organisations, and were a deliberate break from policies based on artist-centred subsidy. However, the GLC was abolished in 1986 and its policies were never fully carried through.

2.46 More influentially and outside of London, Sheffield City Council pioneered the idea of a local cultural industries policy in the early 1980s. Their approach was to promote and foster the cultural and media industries in the city as a key part of its economic regeneration.

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strategy. Led at this time by its Department of Employment and Economic Development (DEED), the council started to promote this policy with the opening of Red Tape studios in 1986. At this time, Red Tape was Britain's first municipal rehearsal, recording and sound training facility. In particular, this policy initiative served to establish the notion of 'the cultural quarter'. Today the Cultural Industries Quarter is a thriving and growing area of the city centre housing a wide range of cultural producers and venues. Similar place-based cultural policies were developed in Nottingham (with the focus on the Lace Market area) and Manchester. Connecting cultural policy with urban regeneration strategies became an increasingly popular approach for local and regional government to the extent that by the 1990s, it was taken up across Europe.

2.47 A number of recent reports on London’s creative sector have direct implications for Westminster’s approach to the Creative Industries.

VIVA CITY

2.48 Viva City: The Economic Impact of the City Arts Cluster was commissioned by the City of London and demonstrates the significance of arts and cultural activities to the City. For example, it shows that festivals and institutions in the City arts cluster contribute an estimated £325 million a year to UK GDP and support almost 7,900 jobs across the UK. The City of London Corporation are very active in their support for the sector, providing twice as much support as Government to this cluster to ensure its vibrancy. This research shows the importance of the arts cluster to the City of London, with direct implications for Westminster in terms of the economic impact of the Creative Industries, and support strategies which could be considered as best practice by Westminster.

BESPOKE TAILORING

2.49 The report on Bespoke Tailoring in London’s West End by Westminster City Council (2006) emphasised the importance of this sub-sector for both Westminster and London as a whole. Policy findings from the study showed that:

- Rents and business rates are expensive, adversely affecting the bespoke tailoring sector.

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20 http://www.syspace.co.uk/ciq/history.htm
• There is a lack of young tailors entering the profession
• Tailors and supporting services and industries need to be clustered together.
• Tailoring needs to be protected and promoted as a key cultural, historical, and creative part of London
• Non-bespoke tailors are altering the face of Savile Row.

2.50 The implications of this report echo findings in this report, in terms of the threats and challenges facing Westminster’s Creative Industries, particularly in terms of rental increases and business support needs. Many of the lessons from this study (around stewardship and strategic support, as well as the need to engage with other partners in the cultural sector in London, such as the LDA and GLA) are relevant across the Creative Industries in Westminster.

REPORT ON GREAT WESTERN STUDIOS

2.51 Also at a local level, the report commissioned by the City Council on Great Western Studios (GWS) examined key issues regarding the re-location of GWS on land required by the Crossrail Line 1 project. The report highlights the lack of central policy governing micro business needs for affordable premises. There is nothing comparable to the provision for affordable workspace that is needed to accommodate the growth in the SME and micro sectors. The report shows that 50% of London businesses are constrained from growth due to lack of appropriate and affordable space. GWS houses 140 artists and Creative Industries and has a key influence in North Westminster and regionally, acting as a seed-bed for innovation and creativity. Westminster has petitioned Parliament and secured an instruction from the Crossrail Select Committee that Crossrail should seek to relocate these businesses in the face of the Crossrail proposals.

ECONOMIC DEVELOPMENT STRATEGY

2.52 The Economic Development Strategy for Westminster was produced in March 2005 and heavily promotes business and enterprise in the Borough. It has three main themes, underlined by a series of key actions to achieve these. The main themes are:-

• Theme 1: Supporting Business & Enterprise in Westminster
• Theme 2: Business Friendly City Management
• Theme 3: Promoting Employability

2.53 Theme 1 has a series of actions that helps and encourages businesses to grow in Westminster. Developing the business support services in the Borough is a key action and this will help Creative Industries businesses to develop in Westminster.

2.54 The Strategy also states it will establish incubation units for new businesses. This particularly relates to Creative Industries as the Strategy states it wants to develop business workspace in line with Creative London. In particular, it is looking to develop North Westminster as a location for Creative Industries businesses. The Strategy also states it wants to actively assist Great Western Studios to relocate to new premises within Westminster.

WESTMINSTER CITY PLAN

2.55 The Westminster City Plan is Westminster's Sustainable Community Strategy and sets out a vision for the City up to 2016. It covers the environment, opportunities, communities and tailored services. It identifies Culture, which incorporates the Creative Industries, as one of the main cross cutting themes across these areas.

2.56 It recognises that the actions the Plan sets out will impact on the Creative Industries. For example, actions to improve the environment will benefit the Creative Industries and will encourage investment in, and stewardship of, the City.

2.57 One of the main aims of the Westminster City Plan is to build a strong city economy. It has a number of actions to help businesses in Westminster, but none that specifically relate to the Creative Industries.

ONE CITY PROGRAMME

2.58 The City Council’s overarching One City programme acknowledges the importance of creativity as a key factor in maintaining Westminster as a World Class City, drawing on Florida's (2002) argument that regional and economic development depends on a regions ability to attract, cultivate and mobilise creative assets.

UNITARY DEVELOPMENT PLAN

2.59 The Westminster Unitary Development Plan (UDP) sets out the planning and development policies for Westminster for the next 10 to 15 years. The Plan identifies a Creative Industries Special Policy Area (situated around Covent Garden, East Mayfair, Soho and Fitzrovia/East Marylebone) and contains policies to protect and encourage uses within the Creative Industries. It is particularly favourable towards development in this area and
recognises the need of planning to assist the development of the Creative Industries in Westminster. It has a number of policies that relate to the Creative Industries. These are shown below:

**POLICY STRA 1: WORLD CLASS CITY STATUS**

*To foster Westminster’s key ‘world class’ city roles as a centre for international organisations, headquarters, business services, housing, retailing, medicine, education and other professions, media, arts, culture, entertainment and tourism, and to allow sustainable developments that promote them.*

2.60 Westminster is one of the key Boroughs in London and is home to many of its top functions and attractions. It is the centre of Government and provides London with many of its leading businesses, original buildings and cultural venues. Westminster therefore plays a vital role in London maintaining its world class city status. The UDP provides for the needs of businesses in Westminster in order for the Borough to continue to contribute to this. It looks to refurbish and renew business premises which will benefit the Creative Industries. These Creative Industries businesses help to contribute to the appeal of London as a world class city and their retention in the Borough is aided by this policy in the UDP.

**POLICY STRA 9: SPECIAL POLICY AREAS**

1) *To maintain and enhance the distinctive character and function of the city by defining special policy areas.*

2) *To protect and encourage specialist uses, as set out in the relevant chapters in Part 2 of the plan, in specific areas of Westminster.*

2.61 In conformity with the London Plan, the Westminster UDP defines a number of Special Policy Areas (SPAs) that include Creative Industries in Westminster. It has the Creative Industries SPA which both protects and provides for growth in the sector. It also identifies the Tourism, Arts, Culture and Education SPA around the Royal Albert Hall and Imperial College. There is also the North West Westminster Special Policy Area (NWWSPA). This seeks to protect small scale industrial uses in the north of the City and provides an opportunity for Creative Industries businesses to locate in this area.

**POLICY STRA 13: ARTS, CULTURE AND ENTERTAINMENT:**

*To maintain and improve the range of arts, culture and entertainment uses in Westminster;*
To restrict further late-night entertainment uses in areas that already have an over-concentration.

2.62 In line with the London Plan the Westminster UDP provides for the Arts, Culture and Entertainment sectors in the Borough. It recognises that these should be improved in order to help London maintain its world class city status. It looks to maintain the night time economy, mainly centred on the Covent Garden and Soho areas. The UDP looks to strike the balance between maintaining this area and not allowing it to become “saturated.”

**POLICY COM 8: RETENTION OF LIGHT INDUSTRIAL FLOORSPACE IN THE CREATIVE INDUSTRIES SPECIAL POLICY AREA**

Retention of light industrial floorspace in the Creative Industries Special Policy Area

2.63 The Creative Industries Special Policy Area is shown in Figure 1 below.

**Figure 1 – Creative Industries Special Policy Area**

Source: Westminster City Council Unitary Development Plan (redrawn by GVA)
POLICY COM 9: PROVISION OF NEW LIGHT INDUSTRIAL FLOORSPACE

(A) Within the Creative Industries Special Policy Area, proposals for the provision of new industrial floorspace will be granted planning permission where:

1. the accommodation is particularly suited to light industrial use by virtue of its design, layout and structural condition.

2. the accommodation is retained for light industrial use by planning condition or, where necessary, by legal agreement.

3. there is no adverse impact on residential amenity.

(B) Where appropriate, the provision of new light industrial floorspace will be required, in accordance with policies COM 2 and CENT 3 as part of mixed use development, especially on sites previously in light industrial use.

(C) Elsewhere in the City, proposals for the provision of new light industrial floorspace will be granted planning permission where:

1. the proposed use meets local service and employment needs of the residential community and there is no adverse impact on residential amenity.

2. the accommodation is particularly suited to light industrial use by virtue of its design, layout and structural condition.

3. the accommodation is retained for light industrial use by planning condition or, where necessary, by legal agreement.

POLICY COM 10: RETENTION OF SMALL SCALE INDUSTRIAL USES

Planning permission will not be granted for proposals involving the loss of an existing small scale industrial use outside the Creative Industries Special Policy Area where the existing use meets local service and employment needs of the residential community and has no adverse impact on residential amenity.

POLICY COM 11: PROVISION FOR GENERAL INDUSTRY AND COMMERCIAL WAREHOUSE STORAGE AND DISTRIBUTION

Planning permission for new general industrial or commercial warehousing floorspace will only be granted planning permission where:
(A) the site is located close to the strategic road network, rail termini or water-borned transport facilities.

(B) the accommodation is particularly suited to general industrial or warehouse use by virtue of its design, layout and structural condition and likely to be so occupied.

(C) the accommodation is retained for general industrial or commercial warehouse use by planning condition or, where necessary, by legal agreement.

(D) servicing requirements can be adequately met within the site.

(E) there is no adverse impact on residential amenity.

2.64 Policies COM 8 -11 are the main policies in the UDP in terms of the Creative Industries and they seek to encourage and maintain the Creative Industries in Westminster. They aim to maintain floorspace within the Creative Industries SPA and make provision for new light industrial floorspace where possible. These policies align themselves with the London Plan provision for Creative Industries and look to aid the sector where possible.

Policy TACE 5: arts and cultural uses.

(A) Planning permission will not be granted for:

1 a change of use from an arts or cultural use.

2 commercial developments associated with arts or cultural uses, but unrelated to the arts or cultural use, unless they would be of clear and lasting benefit to the arts or cultural use.

(B) Planning permission for new arts and cultural uses, or extensions of such uses will be granted within the CAZ, on CAZ Frontages, in the PSPA and the NWWSPA where:

1 they would be compatible with the character and function of the area.

2 there would be no adverse effects on residential amenity.

3 there would be no adverse environmental or traffic effects.

(C) Outside the CAZ, the CAZ Frontages, the PSPA and the NWWSPA, planning permission for new arts and cultural uses, or extensions of such
uses, will only be granted where they meet the criteria set out in (B) above but in addition are intended primarily to serve the local residential population. (See also Policy TACE 7.)

2.65 Policy TACE 5 is designed to safeguard arts and cultural uses in Westminster. It is related to the London Plan’s provision to preserve London’s role as a world class city. It recognises that there are many arts and cultural institutions that contribute to this status. Westminster, with its many museums, music venues, art galleries, theatres and cinemas, plays a key role in helping London maintain its world class city status.

LOCAL DEVELOPMENT FRAMEWORK

2.66 As the City Council moves towards the development of a Core Strategy for its Local Development Framework, it wishes to examine the existing planning policies in relation to Creative Industries and consider where policy modifications could be made.
3. THE CREATIVE INDUSTRIES IN WESTMINSTER

3.1 This chapter looks in detail at the Creative Industries in Westminster and assesses the contribution and value of the sector in the context of economic conditions in Westminster, London and Great Britain. The chapter is structured in the following way:

- To set the context, Westminster’s economy is analysed and compared to London’s and Great Britain’s economy.
- The Creative Industries and its sub-sectors in Westminster are analysed in the context of London and Great Britain.
- The geographical distribution and the economic contribution of the Creative Industries in Westminster is then assessed.

WESTMINSTER’S ECONOMY

CONTEXT

3.2 London is one the major global economic centres in the world. It is the economic centre of the United Kingdom, accounting for 18.5%\(^{25}\) of its GVA, and is a location attractive to tourists, businesses and migrants alike.

3.3 Westminster is a key part of London’s economy and is part of the Central Business District, the main driver of the economy. Westminster accounts for 14% of London’s employment and 12%\(^{26}\) of its businesses. This is the highest percentage of London’s employees – twice as much as the City of London which accounts for 6.9% of employees and Camden which accounts for 6.3%.

3.4 Westminster also has the highest percentage of businesses in London ahead of Camden (6.2%) and Barnet (6.5%). Furthermore, it accounts for 12.4%\(^{27}\) of London’s GVA, ahead of the City of London (9.7%) and Camden (9.6%) demonstrating its importance to London’s economy.

3.5 Westminster also has a high number of employees as a proportion of its population, demonstrating its prominence as a business location. Employee numbers are 233% of the

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\(^{25}\) Experian Business Strategies (2005)

\(^{26}\) ABI (2005)

\(^{27}\) Experian Business Strategies (2005)
population, compared to London as a whole where employee numbers are 55% of the total population.

BUSINESSES

3.6 Business numbers increased in Westminster between 1995 and 2005, in common with London and Great Britain. The increase was higher in both London and Great Britain than in Westminster. In 1995, Westminster had 41,111 businesses compared to 46,582 in 2005, an increase of 13.3%. This compares to a 21% increase in London, and a 17.5% increase in Great Britain.

3.7 While business numbers grew overall in Westminster, there was a decline in the years 2003/04-2004/05. Figure 2 shows the relative growth in business numbers in Westminster, London and Great Britain, taking 1995 as the base year.

![Figure 2 – Business Units in Westminster, London and Great Britain (1995-2005)](chart)

Source: ABI (2005)

EMPLOYMENT

3.8 In common with business numbers, employee numbers in Westminster experienced an overall increase between 1995 and 2005. In Westminster, employee numbers increased from 514,517 in 1995 to 568,944 in 2005, an increase of 10.6%. This compares to an increase of 17.6% in London and 16.6% in Great Britain.28

28 Annual Business Inquiry (2005)
3.9 However, this overall trend is split into two distinct phases. Firstly, employee numbers increased sharply between 1995 and 1999 in Westminster. In contrast, employment levels have declined significantly since 1999. This pattern is also evident in London, though the decline was not as severe as Westminster. The pattern of employment levels in the UK differs from both Westminster and London with a steady increase each year from 1995.

3.10 The reason for the lower growth in employment in Westminster than in London and Great Britain can be linked to the dot-com bubble burst in 2001 which hit Westminster, with its high proportion of Business Service sectors employment (see Figure 4), much harder than the rest of the country.

3.11 Employment projections show employment levels in Westminster to grow at a slightly higher rate than in London as a whole and quite significantly higher than in the UK. Employment in Westminster is projected to grow by 32% between 2005 and 2020, by 27% in London as a whole and by 23% in the UK bringing total employment to 705,000, 4.4 millions and 28.3 millions, respectively as shown in Figure 3.

Figure 3 – Employment Forecast

Source: Experian Business Services, 2006
SECTORS

3.12 The dominant sector in the Westminster economy is Business Activities\(^2\). It has the highest proportion of businesses and employees and was the highest growing sector in the last ten years.

3.13 Figures show that 47% of businesses and 34% of employees in Westminster are in the Business Activities sector. The other main sectors in employee terms are service-related and include wholesale and retail trade (13%), hotels and restaurants (12%) and public administration (11%). This is shown in Figure 4 below.

Figure 4 – Sectoral Breakdown by Employees in Westminster (2005)

3.14 Figure 5 shows location quotients in employee numbers for Westminster compared to Great Britain and London. Location quotients compare the relative size of a sector in one area against relevant comparator areas. A location quotient above 1 indicates that the sector contributes more to the total employment in Westminster than in the comparator areas. This is an indicator that Westminster might provide a locational advantage for this specific sector. A quotient of below 1 indicates a relatively lower contribution to the total employment of a sector in Westminster.

\(^2\) This includes such activities as real estate activities, renting of machinery and equipment, computer related activities, research and development and business services.
3.15 Figure 5 shows the comparative importance of the Business Activities sector to the Westminster economy compared to London and Great Britain. It has a location quotient of 1.92 compared to Great Britain and around 1.29 compared to London. Westminster is the heart of the Central Business District in London so this accounts for the high location quotient for Business Activities.

3.16 Another strong sector compared to both Great Britain and London is Public Administration. Westminster has a high number of public sector employees because large parts of Central Government and related functions are located in the City. This accounts for the high location quotient in this sector.

3.17 The other Community/Social Service sector consists of political party, trade union activities and the voluntary and community sector, which are closely connected with Government. This accounts for this sectors high location quotient in Westminster compared to London and Great Britain.

3.18 The Hotels/Restaurants sector has a high presence in Westminster because this sector serves a large daily population of workers and tourists visiting London, including business visitors as well as a significant residential population. This illustrates Westminster’s role as a leisure centre for the Capital with many of London’s top hotels and restaurants situated within the Borough.
3.19 Unsurprisingly, sectors that are not as strong in Westminster compared to Great Britain and London tend to be those that are less service-oriented. Agriculture, Construction, Utilities and Manufacturing are among those that have a location quotient of less than 1 compared to Great Britain and London.

3.20 In Westminster, Education (135%), Business and Other Services (68%) – in which many of the Creative Industries sub-sectors fall – and Banking and Insurances (50%) are the sectors with the highest growth projections between 2005 and 2020. Construction (-45%) and Manufacturing (-35%) are the sectors predicted to decline the most between 2005 and 2020.

WESTMINSTER’S CREATIVE INDUSTRIES

ECONOMIC CONTRIBUTION

3.21 The Cox Review of Creativity in Business (2005) identifies the UK’s Creative Industries as world leaders.

“In architecture, fashion, product design, advertising, the performing arts, games software and many aspects of film and broadcasting, British practitioners and UK companies are amongst the best in the world” (Cox Review, 2005)

3.22 Creative Industries account for 7.3% (£56.9 bn) of the UK’s GVA and contributed £13 billion to the UK’s balance of trade in 2004. With a growth rate of 5% between 1997 and 2004 the Creative Industries have been growing faster than the overall economy, which experienced growth of 3% in the same time period. The Creative Industry sub-sectors of Software, Games & Electronic publishing; Radio and TV; and Arts & Antiques grew even faster at 9%, 8% and 7%, respectively.

3.23 Westminster, and London as a whole, contributes significantly to the success of Creative Industries in the UK as demonstrated below.

TURNOVER AND GROSS VALUE ADDED

3.24 Creative Industries in Westminster produce a turnover of £14.9 billions. This is almost double the amount that Camden produces which, at £7.5 billions, is the second highest

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30 Experian Business Services, 2006
31 DCMS (2006), figures for 2004
turnover of the London Boroughs. However, when looking at the relative contribution of Creative Industries to the overall turnover the picture changes quite significantly. In Westminster the Creative Industries account for 11% of the total turnover, this puts the Borough eleventh (together with Kingston upon Thames) amongst the London Boroughs as shown in Table 1.

Table 1 – Creative Industries and Turnover Total (Top 14 Boroughs by Percentage)

<table>
<thead>
<tr>
<th>Borough</th>
<th>Creative Industries</th>
<th>All Sectors*</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Westminster City</td>
<td>14,886,013</td>
<td>134,342,889</td>
<td>11.1%</td>
</tr>
</tbody>
</table>
| Camden                  | 7,541,966          | 40,619,692   | 18.65%
| Hammersmith and Fulham  | 5,022,426          | 13,565,714   | 37.0% |
| Hounslow                | 4,740,824          | 27,943,290   | 17.0% |
| Southwark               | 2,916,556          | 14,717,226   | 19.8% |
| Islington               | 2,757,245          | 17,352,611   | 15.9% |
| Tower Hamlets           | 2,742,054          | 16,841,315   | 16.3% |
| Lambeth                 | 2,183,861          | 17,124,905   | 12.8% |
| Kensington and Chelsea  | 1,860,930          | 9,335,408    | 19.9% |
| Richmond upon Thames    | 988,864            | 6,722,630    | 14.7% |
| Wandsworth              | 948,882            | 8,740,070    | 10.9% |
| Kingston upon Thames    | 857,813            | 7,711,207    | 11.1% |
| Hackney                 | 809,002            | 6,758,690    | 12.0% |
| Sutton                  | 394,049            | 5,024,202    | 7.8% |

*Excluding Financial Institutions
Source: ABI

3.25 The importance of a sector to the UK economy (or a region within it) is usually judged by its contribution to output (known as Gross Domestic Product (GDP) at the national level). Output at a local level is measured using an equivalent concept called Gross Value Added (GVA). This is the value of a company’s or sector’s turnover minus the cost of purchases of goods and services that were used in the production of the output, plus any increase in unsold stocks. Taxes are subsequently added and government subsidies subtracted.

3.26 Giving consideration to the Creative Industries and total turnover in Westminster, the number of employees (both total and in the Creative Industries), the GVA of the Creative Industries in the UK and productivity in relevant sectors, we estimate that the Creative Industries in Westminster have a direct contribution to the UK economy of £4 to £5 billions.

3.27 In addition to this direct economic impact of the Creative Industries one can further take into account indirect and induced impacts. Indirect impacts occur in the wider supply chain, predominately as a result of Creative Industries in Westminster purchasing goods and
services form suppliers. Induced impacts arise from the spending by employees (and the self-employed) in the Creative Industries and by those with jobs in the supply chain.

3.28 The scale of the multiplier effect is influenced by the extent of supply chain linkages in an area and the proportion of additional income spent within the area. This can vary substantially by sector and area\(^3\). English Partnership’s Additionality Guide suggests a combined indirect and induced multiplier of 1.1 on a neighbourhood level and 1.5 on a regional level as an average. A study of the economic impact of the arts cluster in the City of London\(^3\) estimates a combined multiplier effect of 1.1 for the City itself and 1.5 for the rest of London. We therefore estimate that the total economic contribution of the Creative Industries in Westminster in terms of GVA is around £6 billions including direct, indirect and induced impacts.

**EMPLOYMENT**

3.29 London accounts for 31% of Great Britain’s Creative Industries employees and Westminster for 7%. London’s and Westminster’s role as a Creative Industries cluster becomes even clearer when comparing Creative Industries employees with the total number of employees. In Westminster 11.1% (55,900) of all employees are working in Creative Industries compared to 6.9% in London and 3.4% in Great Britain\(^3\).

3.30 Westminster is the London Borough with the highest number of Creative Industries by employee numbers, followed by Camden (30,600), Hammersmith and Fulham (22,300), Islington (16,900), Tower Hamlets (14,800) and Southwark (13,600) as shown in Figure 6.
3.31 In relative terms though boroughs such as Hammersmith and Fulham (20%) and Camden (13%) have a higher proportion of Creative Industries employees than Westminster (11%) as shown in Table 2.
### Table 2 – Creative Industries and Total Employment (Top 14 Boroughs by Percentage)

<table>
<thead>
<tr>
<th>Borough</th>
<th>Creative Industries Employment</th>
<th>Total Employment</th>
<th>% Creative Industries Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hammersmith and Fulham</td>
<td>23,876</td>
<td>119,352</td>
<td>20.0%</td>
</tr>
<tr>
<td>Camden</td>
<td>32,016</td>
<td>254,859</td>
<td>12.6%</td>
</tr>
<tr>
<td>Westminster, City of</td>
<td>64,237</td>
<td>574,710</td>
<td>11.2%</td>
</tr>
<tr>
<td>Kensington and Chelsea</td>
<td>10,352</td>
<td>107,752</td>
<td>9.6%</td>
</tr>
<tr>
<td>Islington</td>
<td>18,613</td>
<td>198,247</td>
<td>9.4%</td>
</tr>
<tr>
<td>Richmond-upon-Thames</td>
<td>6,258</td>
<td>66,816</td>
<td>9.4%</td>
</tr>
<tr>
<td>Lambeth</td>
<td>10,908</td>
<td>121,442</td>
<td>9.0%</td>
</tr>
<tr>
<td>Hounslow</td>
<td>10,750</td>
<td>121,630</td>
<td>8.8%</td>
</tr>
<tr>
<td>Southwark</td>
<td>13,223</td>
<td>156,042</td>
<td>8.5%</td>
</tr>
<tr>
<td>Tower Hamlets</td>
<td>14,940</td>
<td>183,092</td>
<td>8.2%</td>
</tr>
<tr>
<td>Wandsworth</td>
<td>6,384</td>
<td>104,676</td>
<td>6.1%</td>
</tr>
<tr>
<td>Hackney</td>
<td>4,295</td>
<td>80,505</td>
<td>5.3%</td>
</tr>
<tr>
<td>Merton</td>
<td>3,512</td>
<td>70,280</td>
<td>5.0%</td>
</tr>
<tr>
<td>Haringey</td>
<td>3,171</td>
<td>64,524</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

*Source: ABI/GVA*

3.32 Considering indirect and induced employment effects we estimate that the Creative Industries in Westminster provide for about 100,000 jobs.

3.33 The growth in the Creative Industries employees since 1995 has been strong in Westminster, but stronger in London and in Great Britain, as was total employment growth. This is shown in Table 3. This lower employment growth in Westminster (of Creative Industries employees and total employment) between 1995 and 2005 can be linked, as discussed above (paragraph 3.10), to the effect of the dot-com bubble burst on Westminster’s economy which was hit much harder due to the high number of businesses active in the affected sectors.

### Table 3 – Creative Industries Employees, 1995-2005

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1995 #</td>
<td>2005 #</td>
<td>#</td>
<td>%</td>
</tr>
<tr>
<td>Westminster</td>
<td>54,275</td>
<td>63,612</td>
<td>9,337</td>
<td>17.2%</td>
</tr>
<tr>
<td>London</td>
<td>204,737</td>
<td>279,296</td>
<td>74,559</td>
<td>36.4%</td>
</tr>
<tr>
<td>Great Britain</td>
<td>702,590</td>
<td>907,929</td>
<td>205,339</td>
<td>29.2%</td>
</tr>
</tbody>
</table>

*Source: ABI (2005)*

3.34 The Creative Industries in Westminster have grown by 17.2% in employee terms between 1995 and 2005 in comparison to a 36.4% increase in London, and a 29.2% increase in
Great Britain. The growth in employment levels was particularly strong between 1995 and 1999. Creative Industries employment levels increased by 22% in this period but this level of growth did not last.

3.35 The pattern of growth was higher in London and Great Britain between 1995 and 2005 than in Westminster. This is shown in Figure 7 below:

**Figure 7 – Growth of Creative Industries 1995 – 2005**


Source: ABI/GVA Grimley (2005)

3.36 However, the Software, Computer Games & Electronic Publishing sub-sector has had a fundamental effect on the growth patterns. The employment figures in this sub-sector rise sharply between 2002 and 2003, which is more likely to reflect changes in the compilation of employment figures than actual employment changes.

3.37 If the Software, Computer Games & Electronic Publishing sub-sector is removed from the growth calculations, the Creative Industries employment levels actually fell by 10% in Great Britain between 1995 and 2005. Removing this sub-sector from the equation means that growth in Westminster was only 3% and in London only 10% over the same time period.

**BUSINESSES**

3.38 The Creative Industries account for a comparatively large amount of business units in Westminster compared to London and Great Britain. They account for 15.3% of total businesses in Westminster, compared to 13.5% in London and 7.5% in Great Britain.

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1. The changes to the SIC 2003 included re-classifications in the Computer sector.
2. ABI (2005)
3.39 Business growth in the Creative Industries has been lower in Westminster than in London or Great Britain. Since 1995, the number of business units in Westminster has increased by 12.3%, compared to 27.3% in London and 23.5% in Great Britain. This is shown in Table 4 below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Westminster</td>
<td>5,529</td>
<td>6,208</td>
<td>679</td>
</tr>
<tr>
<td>London</td>
<td>29,616</td>
<td>37,708</td>
<td>8,092</td>
</tr>
<tr>
<td>Great Britain</td>
<td>89,949</td>
<td>111,084</td>
<td>21,135</td>
</tr>
</tbody>
</table>

Source: ABI/GVA Grimley (2005)

**SUMMARY**

3.40 Westminster is the local authority that contributes the most to the UK’s Creative Industries. It is the local authority with the highest turnover, GVA, employment and numbers of businesses in the Creative Industries. In relative terms though (i.e. the proportion of Creative Industries turnover and/or employment of total turnover/employment) other boroughs in London, notably Camden and Hammersmith and Fulham, have a higher percentage of people employed in the Creative Industries compared to the total numbers employed.

3.41 Creative Industries employment grew faster than average employment growth in Westminster between 1995 and 2005. Creative Industries employment growth in Westminster though has been lower than in London and Great Britain. A large proportion of Creative Industries employment growth in London and Great Britain is due to significant changes in the computer sectors which saw a change in SIC classification in 2003. Disregarding this sector Westminster’s Creative Industries employment growth is higher than London’s and Great Britain’s.

3.42 Creative Industries in Westminster contribute significantly to the local and regional economy, accounting directly for 11% of employment. Table 5 gives an overview of the economic contribution of Westminster’s Creative Industries.
Table 5 – Westminster’s Creative Industries Economic Contribution

<table>
<thead>
<tr>
<th></th>
<th>Direct</th>
<th>Indirect and Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>GVA</td>
<td>£4.5 bn</td>
<td>£1.2 bn</td>
<td>£6 bn</td>
</tr>
<tr>
<td>Employment</td>
<td>64,200</td>
<td>35,800</td>
<td>100,000</td>
</tr>
<tr>
<td>Businesses</td>
<td>6,200</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Source: ABI/GVA


CREATIVE INDUSTRIES SUB-SECTORS

3.43 Figure 8 shows location quotients in employee numbers for the Creative Industries sub-sectors in Westminster compared to Great Britain and London.37

Figure 8 – Location Quotient of Employee Numbers in Creative Industries (2005)

Source: ABI/GVA Grimley

3.44 Figure 8 demonstrates that Westminster is a hub for the Creative Industries. All but one sub-sector has a location quotient higher than 1 compared to Great Britain and London. The dominant sub-sectors in Creative Industries are in the Radio and TV, Advertising, Video, Film & Photography and the Performing Arts sub-sectors. Radio/TV accounts for 2% of total employment in Westminster, compared to 0.9% in London and 0.3% in Great Britain. Advertising accounts for 1.8% of total employment, compared to 0.7% in London and 0.3% in Great Britain.

3.45 Westminster is the traditional centre for media employment and this helps to explain the high location quotient for Radio and TV, and Video, Film and Photography. The presence

37 For a definition of Location Quotients please see paragraph 3.14
of both the BBC and Channel 4 creates a media hub and accounts for the high presence of these sub-sectors in Westminster.

3.46 Advertising is a typical business service and it clusters around where the main businesses are found. Westminster is the biggest employee sector in London so this is a major reason for the sub-sector's high location quotient in Westminster. Advertising, one of Westminster's dominant sub-sectors, has remained steady in employee terms since 1995. However, the sub-sector has grown considerably in London and Great Britain during this period. While Westminster employment levels showed little change, London's employment levels increased by 14.5% and Great Britain's by 17.7%.

3.47 The Performing Arts sub-sector, incorporating Theatreland, is also synonymous with Westminster and this again accounts for its high location quotient in Westminster.

3.48 Over the last 10 years in Westminster the highest growing Creative Industries sub-sectors are Arts & Antiques and Designer Fashion. Arts & Antiques are also growing in London and Great Britain. This follows a general pattern of increased employee numbers in this industry world wide. Arts and Antiques employee numbers have increased by 27.7% in Westminster since 1995, compared to 31.6% in London and 50.3% in Great Britain.

3.49 The Designer Fashion sub-sector has increased in Westminster, set against a fall in employee numbers in both London and Great Britain. This indicates the increasing appeal of Westminster as a destination for this type of work since 1995. Employee numbers in Designer Fashion increased by 25.2% in Westminster but fell by 40.8% in London and 67.5% in Great Britain.

3.50 The Publishing (print) sub-sector has been in decline in Westminster since 1995. It has increased in both London and Great Britain since 1995, suggesting that Westminster is losing its popularity as a destination for this type of work due to price pressures and changing technology. Westminster was the traditional centre for this type of work but these figures suggest this is no longer the case. Employee numbers reduced by 11.6% in Westminster since 1995, but in London and Great Britain they increased by 14.9% in both areas.

3.51 Interestingly, the Publishing (print) sub-sector has a higher proportion of business units in Westminster than London and Great Britain. This indicates that a number of print companies have their headquarters in Westminster but carry out their back office operations elsewhere.

3.52 The growth of each sub-sector is shown in Table 6 below.
Table 6 – Employees by Creative Industries Sub-sector 1995 – 2005

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>#</td>
<td>#</td>
<td>#</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Advertising</td>
<td>10,385</td>
<td>10,378</td>
<td>-7</td>
<td>-0.1%</td>
<td>14.5%</td>
</tr>
<tr>
<td>Architecture</td>
<td>1,809</td>
<td>1,535</td>
<td>-274</td>
<td>-15.1%</td>
<td>-5%</td>
</tr>
<tr>
<td>Art and Antiques</td>
<td>1,375</td>
<td>1,756</td>
<td>381</td>
<td>27.7%</td>
<td>31.6%</td>
</tr>
<tr>
<td>Designer Fashion</td>
<td>1,644</td>
<td>2,059</td>
<td>415</td>
<td>25.2%</td>
<td>-40.8%</td>
</tr>
<tr>
<td>Video, Film and Photography</td>
<td>7,002</td>
<td>8,338</td>
<td>1,336</td>
<td>19.1%</td>
<td>23.8%</td>
</tr>
<tr>
<td>Music and the Visual and Performing Arts</td>
<td>11,180</td>
<td>10,642</td>
<td>-538</td>
<td>-4.8%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Publishing (print)</td>
<td>11,351</td>
<td>10,033</td>
<td>-1,318</td>
<td>-11.6%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Radio and TV</td>
<td>9,329</td>
<td>11,138</td>
<td>1,809</td>
<td>19.4%</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Total Creative Industries</strong></td>
<td><strong>54,075</strong></td>
<td><strong>55,879</strong></td>
<td><strong>1,804</strong></td>
<td><strong>3.3%</strong></td>
<td><strong>10%</strong></td>
</tr>
</tbody>
</table>

Source: ABI/GVA Grimley (2005)

GEOGRAPHIC DISTRIBUTION

3.53 The geographical distribution of Creative Industries in Westminster can be grouped into one primary cluster and a number of secondary clusters. The primary cluster is centred in the east of the City and, in particular, in Soho and East Marylebone/Fitzrovia.

38 ABI (2005)
3.54 There is a secondary cluster adjacent to the main Soho cluster, situated in the Covent Garden/Strand area. This area incorporates Theatreland and the high number of theatres is the main source of creative employment in the area.

3.55 Another secondary cluster is situated in the south of the City, around Victoria Station and north Pimlico. This is a large business district and contains a number of software businesses.

3.56 There is also a secondary cluster on Exhibition Road that is principally attributed to the Royal Albert Hall and the Natural History, Science and the Victoria and Albert Museums located in the adjacent Royal Borough of Kensington & Chelsea.

3.57 There is a secondary cluster in the Paddington/Bayswater area and this is again dominated by the Software sub-sector employees.

3.58 In the Westbourne area there is a secondary cluster emerging to the west of the City. This is mainly attributed to the Music and the Visual Performing Arts and Designer Fashion sub-sectors.

3.59 There are a further two secondary clusters that are emerging in Westminster. These are in the Maida Vale area and can be attributed in part to the BBC Maida Vale studios and
associated activity around this area. As you would expect, there is a high concentration of Radio and TV employees around this area. Finally, there is a cluster in the far north west of the City around Queens Park. This again appears to be due to a high presence of Video, Film and Photography and the Radio and TV sub-sectors.

3.60 A more detailed analysis of the geographical distribution by Creative Industries sub-sectors is provided in the Sub-Sector Profiles in Section 4 and maps showing the employment and business distribution are included in Appendix C.

3.61
4. SUB-SECTOR PROFILES

THE POLICY-MAKER-FRIENDLY 4-PART CONCEPTUAL MODEL OF THE CREATIVE INDUSTRIES

4.1 Recent work commissioned by Nesta in 2005 and undertaken by BOP and MIPC has produced a model of Creative Industries which takes into account the diversity of this sector of the economy, and is appreciative of the differences in market structures, distribution mechanisms and consumption patterns. This approach segments the creative sector into four thematic groups, bringing together those sub-sectors that have sufficient commonalities (business models, value chains, market structure, etc.) as to warrant a common approach. For the purposes of this study, we have focused on the following grouping:

4.2 **Creative Services.** Enterprises based around providing Creative Services for clients, earning revenues in exchange for giving up their time and intellectual property (IP). For example, architects, advertising agencies, graphic design, new media design and post-production.

4.3 **Creative Content.** Enterprises that produce intellectual property, usually copyright protected, distributed to customers or audiences through sales, advertising or subscription to earn revenues. For example, broadcasters, record companies, and all kinds of publishers including; software, computer games and electronic publishing.

4.4 **Creative Experiences.** In which the core business model is based around selling the right for consumers to witness or experience specific activities, performances or locations. These include live theatre, music, opera and dance, which are consumed at the time and place of performance, rather than through recordings or broadcasts.

4.5 **Creative Originals.** Based on the manufacture, production or sale of physical artefacts, the value of which derives from their perceived creative or cultural value and exclusivity (i.e. they are not mass-produced, but produced as one-offs or in limited production runs). For example, designer fashion, crafts based activities such as jewellery and arts and antiques.

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39 BOP, MIPC and NESTA (2006) Creating growth: how the UK can develop world class creative businesses.
4.6 The diagram above helps us to see how different creative sectors fit within the four thematic groups. Visualising the Creative Industries in this way helps policy makers to design appropriate interventions that are geared towards the specific business needs of different parts of the sector. The model will also act as an aid to identifying the sectors with the greatest potential for economic growth and those which may require a policy response.

4.7 The model also enables us to conceptualise the different groups as part of a wider 'ecosystem' of creativity, consisting of a range of interrelated and overlapping activities. An overview of some economic indicators of the four sector groupings is given in Table 7.
Table 7 – Economic Profile Overview

<table>
<thead>
<tr>
<th></th>
<th>Number of Businesses</th>
<th>Number of Employees</th>
<th>Average Business Size</th>
<th>Average Turnover [million £]</th>
<th>Total Turnover [billion £]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creative Services</td>
<td>754</td>
<td>12,913</td>
<td>17</td>
<td>5.4</td>
<td>4.1</td>
</tr>
<tr>
<td>Creative Content</td>
<td>3,484</td>
<td>37,242</td>
<td>11</td>
<td>2.0</td>
<td>6.8</td>
</tr>
<tr>
<td>Creative Originals</td>
<td>549</td>
<td>3,815</td>
<td>7</td>
<td>5.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Creative Experiences</td>
<td>2,172</td>
<td>10,642</td>
<td>5</td>
<td>0.5</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Source: GVA / ABI

CREATIVE SERVICES

TYPE AND RANGE OF ACTIVITIES

4.8 Creative Services are enterprises based around providing Creative Services for clients, earning revenues in exchange for giving up their time and intellectual property. These include the Architecture, Advertising, Graphic Design, New Media Design, and Post-production. For the quantitative survey analysis we have included Architecture and Advertising within the Creative Services sub-sector grouping as these are the two sub-sectors which can be identified on a 4-digit-SIC level (see Appendix B for more detail).

ECONOMIC PROFILE

4.9 There are a total of 754 Creative Services businesses in Westminster. The majority of businesses (65%) have four or less employees and there are only eight businesses with over 200 employees. There are a total of 12,913 employees working in the Creative Services producing a turnover of £4.1 billion per annum.

4.10 In the Creative Services, the majority of businesses (56%) have a turnover of less than £1.5 million. According to the business telephone survey a further 30% had a turnover of between £1.5 million and £7 million.

4.11 When asked about the future of their market and their business, Creative Services companies were optimistic about the future. The majority of businesses (73%) believed the market would grow over the next 5 years, while 24% thought it would stay the same. In line with growth expectations, 69% of businesses believed their workforce would grow over the next 5 years, and 27% thought there would be no change.

4.12 Most Creative Services businesses (94%) have been trading for more than 2 years, with only 1% trading for less than 12 months.
GEOGRAPHICAL DISTRIBUTION

4.13 The Creative Services are mainly clustered around the Soho and Paddington/Bayswater areas. Both the Advertising and Architecture sub-sectors demonstrate this pattern. The nature of their business and their national and international client base requires good accessibility as meetings with clients and suppliers are important for these sectors. Advertising has strong links to other Creative Industries sub-sectors and especially to Radio, TV and Film, Video and Photography. The preference for locating in the main Creative Industries clusters within Westminster seems logical.

SUPPLY CHAIN AND CUSTOMERS

4.14 Creative Services in Westminster operate at the top of the value chain, because of the competitive pressures on space and cost in the area. The high rents in the area mean that only ‘serious players’ at the top of the industry are able to thrive. Creative Services in the area often have international reputations and client groups, whilst also capitalising on national clients.

4.15 The supply chain for Creative Services in Westminster is complex, operating at the local, national and international level. Creative Services in Westminster have widely dispersed clients and customers, while suppliers tend to be more local, operating within a dense local creative ecology of ancillary Creative Services providers, such as post-production, photography and reprographic services. Indeed, Creative Services often work with each other, as well as Creative Content enterprises, as can be seen in the close relationship between advertising and post-production, or film/television and post-production/special effects.

4.16 The nature of creative service supply chains provide strong reasons for a central location. The research shows that for Creative Services, the following factors are central to the decision to locate in Westminster:
Creative service industries have very high levels of interaction between clients and suppliers.

- Being close to customers is a very important or important factor for 48% of Creative Services businesses.
- Being close to suppliers is important to 32% of the Creative Services businesses.
- Of the businesses who are planning to move some or all of their premises 7% mentioned moving closer to customers and/or suppliers as one of the reasons.
- One interviewee stated that he wanted ‘to walk to most of [his] clients within 10 minutes’.

Short lead times and high costs for projects means constant face to face interaction is vital.

The proximity of suppliers such as printers enables quick turnaround for clients. In the telephone survey 17% of Creative Services businesses said that being close to ‘non-creative sector’ specialist service providers is important or very important to them.

Local bars and restaurants in Westminster (particularly around Soho and Fitzrovia) are established meeting places for Creative Services businesses and clients, and can be seen as a very important ‘externality’ of the area.

Westminster has a concentration of similar Creative Services businesses, making partnerships and sub-contracting with other local firms easy.

Co-location is vital. For example, in the post-production sector, one of the reasons why London continues to win work from the Hollywood studios is through individual companies collaborating on film projects to generate the scale needed to handle a multi-million dollar feature film. This is made possible because the firms engaged in each consortium all work within 10 minutes walk of each other, ensuring that the transaction costs are minimal. This close co-location of companies is unique to London in global post production and very attractive to US clients.

Therefore, despite rising costs, which unsurprisingly emerges as a common theme throughout the research as a ‘push’ factor driving Creative Industries out of Westminster, or towards the peripheries, those Creative Service companies interviewed consistently emphasised the importance of a central Westminster location for the reasons stated above.

Another more worrying dynamic for Westminster emerged, which is that increasingly certain aspects of Creative Services processes are being outsourced to cheaper locations. For example, in advertising, direct marketing is largely done outside of the centre in suburban regions. Similarly, more functional aspects of architectural and design practice are being outsourced to places with high levels of qualified graduates in cheaper cost
locations around the world, such as Eastern Europe and Asia. This means that Westminster faces a growing challenge as globalisation and the constant search for competitive advantage means that in the future Westminster’s role as a global centre of Creative Services cannot be taken for granted.

SKILLS REQUIREMENTS AND ISSUES

4.19 Creative Service enterprises in Westminster are perceived as being at the top end of their market with many top companies in their specific field. There is a strong supply of highly educated people looking to get into the industry and London has always been a magnet for the best talent. Half of the businesses interviewed in the telephone survey said that they found it easy of very easy to recruit managerial and technical staff. Therefore, skills needs are generally not as pressing in Westminster as they are elsewhere. However, a number of key skills issues have emerged from the qualitative research:

• For their location decision the ability to recruit specialist staff is important or very important for 62% of the Creative Services businesses.

• Creative Services have pressing technological skills needs. There is constant evolution in these industries, with an increasingly ubiquitous use of information technology (IT), and a narrowing of the number of jobs. This means that the skills issues over the next 5-10 years will be about the use of rapidly changing technology.

• The major skills needs (in areas such as advertising) are in digital, but they are hard to teach, because it’s about being able to understand what’s going on in the new media world of YouTube, etc. and subscription television.

• New media moves so quickly that training organisations are often one step behind real developments in the industry.

• A number of Creative Services interviewed do not have relationships with sector skills training providers, preferring to train in-house or hire someone with that skill set.

• When asked what kind of support they would like to receive 9% of Creative Service businesses mentioned skills and training.

• The post-production sector argued that there are many people doing media courses who come out without the relevant skills, aptitude or understanding of the business.

• One interviewee stated that in Creative Services there has historically been a division between creativity and process (e.g. strategic development and project management),
or between ‘magic’ and ‘logic’. There is a need to professionalise and develop process skills which have traditionally been weak.  

- Even though Creative Industries account for 11% of GVA, there is no clear definition of what skill sets are needed in creative enterprises. The Institute of Practitioners in Advertising (IPA) believes that people who are really good are diagonal thinkers. This could be a model for best practice, enabling Creative Industries to recruit more diversely.

- Nepotism and a lack of diversity in recruitment is a major skills issue in Creative Services. As one interviewee stated: “The gene pool in the industry is narrowing as you can see 3rd or 4th generation people in advertising”.

- Most identifiable skills shortages in post-production relate to engineering and IT skills.

**NETWORKING AND BUSINESS SUPPORT NEEDS**

“It seems to me that small businesses in the creative sector should have a place where they sign up [for networking and business support]. It would be better if someone got in touch with you to tell you what’s out there.” Creative Director, New media agency.

4.20 Creative Services have particular needs for networking. Research into creative industry sectors shows that networking is a key mode of interaction, as a means of sharing tacit knowledge, fostering relationships within geographically clustered, flexible working environments, and building competitive advantage. Moreover, Creative Services are highly dependent on networks for individuals finding their next job, and for employers hiring talent. In the telephone survey 64% of the Creative Services businesses said that being located in Westminster for the ability to network in an informal way is very important or important to them.

4.21 Westminster (particularly the Soho, Covent Garden and East Marylebone/Fitzrovia environment that Creative Services are largely clustered around) provide numerous informal networking environments, such as bars, pubs, restaurants and private members clubs. This is a major source of competitive advantage for Westminster and 72% of

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Creative Services businesses say that being located close to pubs and bars is an important factor when deciding where to locate.

4.22 There is also the potential for Westminster to help support this extant networking culture through some form of business support, which could take the form of helping to finance networking and training events for Creative Industries in the area and there seems to be a demand for such activities as 63% of Creative Services businesses attend two or more business networking events or trade shows.43

4.23 Another clear issue, which was a common theme for all of the Creative Industries interviewed for this research, was an expressed need for a single point of contact for Creative Industries business support needs within Westminster City Council. A large number of interviewees described the difficulties of knowing where to turn to find help for sector-specific business-related queries. Also, it was felt that it would be very useful for such an individual to be pro-active in forming relationships with creative enterprises in the City and coming to industry events. Existing business support, as that which is offered by Business Link, was described as largely irrelevant to the particular needs of Creative Services. This frustration may – at least to a certain degree – explain why 95% of Creative Service businesses have not been in touch with a business support agency within the last 12 months.

4.24 Key issues emerging from the research:

- There is a lack of targeted business support. A number of businesses commented on the poor support offered by Business Link.
- There appears to be a lack of awareness of business and training support, with the routes to getting help and funding being labyrinthine.
- The need for organised networking opportunities was a recurring issue.

LOCATIONAL, PROPERTY AND ENVIRONMENTAL REQUIREMENTS

4.25 Westminster has the highest office rents in London44. The question is: why do Creative Services continue to choose to locate in some of the most expensive central London locations?

4.26 The majority (69%) of Creative Services businesses in Westminster have not always been located at their current site and of those that have moved to their current site 56% moved

43 A good example of a publicly funded networking event for new media services would be OneZero1, which is hosted by Westminster Kingsway College.
44 According to GVA Grimley office market research
from outside the City. This means that the majority of Creative Services businesses within Westminster have made an active decision to be located within the Borough.

4.27 Talking to Creative Services businesses has revealed that a Central London address confers kudos and also signals ‘serious player’ status, which raises profile, helps win business and attract and retain talent.

4.28 When asked about the importance of different factors influencing their locational decisions public transport accessibility (93%), good quality public realm (71%) and being close to bars and restaurants (69%) have been mentioned the most often as being important or very important, as shown in Figure 11. These factors all relate to the circumstances in which Creative Services businesses operate. The nature of their business requires regular face-to-face meetings with clients and many have national and international customers. Accessibility, a nice environment and places to meet in a more informal way are, therefore, important for these businesses.

**Figure 11 – Locational Requirements Creative Services Businesses**


4.29 According to the telephone survey the least important locational factors for Creative Services are proximity to “creative” and “non creative” suppliers. This is an interesting
result as many advertising companies work closely with the Film, Video and Photography sub-sector which is also clustered in Soho and Paddington.

4.30 The vast majority (92%) of Creative Services occupy office accommodation, with a small amount occupying studios. Business premises occupied by Creative Services tend to be pre-1969 build, with 83% of sites falling into this category. Only two of all the 129 Creative Services businesses interviewed were in premises built after 2000.

4.31 The research shows that the vast majority of Creative Services industries lease their business premises (only 17% own the freehold) with 44% of businesses deeming the importance of freehold unimportant or very unimportant. Of the businesses that lease or rent their premises around a quarter have a lease for less than 1 year, which is around the average for the sub-sector groupings. There is often a significant disparity in the amount of rent paid between individual companies, for historical and locational reasons.
New office developments in Westminster can reach rents of up to £130 per sq ft per annum – a market difficult to compete in for the Creative Industries.

4.32 Figure 12 shows the importance of factors to the Creative Services about their business premises. Over 80% of businesses deemed the following very important or important:

- Environment
- Fast data connections
- Safe building/environment
- Reliable power supply
- Building management/maintenance
- Good quality premises
- Sufficient space
4.33 Having a reliable power supply is a central issue for creative services businesses, particularly intensive users of electricity such as post-production houses where there is a need to ‘sweat the asset’. In the in-depth qualitative research, the managing director of a major post-production house in Soho described the challenge to his business posed by an unreliable power supply, having experienced a lengthy power cut in the summer of 2006. As global warming increases, power demands in the summer will increase, as offices need to use air conditioning. The impact on the creative services could be significant.

4.34 Very fast data connections are key for the post-production sector, so the existence of SohoNet, a company who provide a dedicated network that links London’s post-production houses with Hollywood studios, is a vital advantage.

Figure 12 – Property Requirements Creative Services Businesses


4.35 The majority (71%) of Creative Services businesses have premises only in Westminster, with no related operations elsewhere. A further 13% of businesses have Westminster as their national, regional or divisional headquarters, while the remainder are subsidiaries of businesses in the UK or internationally. This indicates that in the majority (84%) of businesses locational decisions are made within Westminster and can be – at least to a certain degree – influenced by Westminster City Council and its policies and programmes.
4.36 The majority (64%) of businesses in Creative Services do not intend to move from their current premises in the next five years. Of those that would consider moving, the majority (42%) cite the need for bigger premises to facilitate expansion. A further 24% are considering moving because the prices of premises are too expensive. Of those that plan to move, around 61% are planning to move within 3 years, while 64% were not sure when they would move. Of those that are planning to move 64% were planning to stay in Westminster, while 34% were planning to stay in London.

**CASE STUDY: BBH**

4.37 BBH is the largest independent full service agency in the UK. It is based in the heart of Soho, on Kingly Street, just off Carnaby Street. Founded in 1982 by John Bartle, Nigel Bogle & John Hegarty, BBH is now a global agency, with offices in London, Singapore, Tokyo, New York, Sao Paolo and Shanghai. It has global billings of US$1bn and employs 600 people, with 475 people in London. They have clients both nationally and internationally. Their suppliers are largely post-production providers, which they have brought in-house and are managed by The Mill.

4.38 They rent their highly distinctive open plan premises, which occupy 60,000 sq ft for which they pay £45 per sq ft. They have been based in their current premises since 1995. Before that they were based on Great Portland Street. It took them five years to find their current space, because it was so difficult for them to find the right size and type of premises in Soho.

4.39 London is acknowledged alongside New York as one of the two world centres of creative advertising and two thirds of international agencies have their European HQ in London. Furthermore, the UK is the largest advertising market in Europe. Geographically, and particularly since the 1960s, advertising has been based in Soho (especially around Golden Square). Despite growing pressures in terms of rental rates and the difficulties of finding suitable properties, Soho has remained the centre of the British advertising industry. There are a number of factors at play here. Firstly, there are co-locational reasons for agencies being clustered in Soho:

- Advertising is an industry where you have to move around to move up the career hierarchy. Therefore, this is facilitated by proximity of businesses

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45 Creative Industries Mapping Document 2001, DCMS
• In a ‘star’ industry, where the movement of key creative personnel can have a significant effect on an agency, co-location also functions as a method of recruitment, and finding out what people in the industry are doing.48

4.40 Secondly, being clustered in the centre of a global city has a number of competitive advantages:

• In an industry where keeping abreast of micro-changes in what is ‘cool’ and what is not is so vital, being co-located near your competitors is an essential commercial asset.

• As advertising involves constant pitching, you need a backdrop of bars and restaurants, which Soho provides admirably.

• Accessibility, both nationally and internationally is vital in an industry where clients are highly geographically dispersed. London has consistently performed as the global city on the basis of the number of travellers using air transport hubs.

4.41 Currently, advertising is facing a major profit squeeze. Firstly, the full service agencies are facing growing competition from digital agencies. Secondly, the break up of advertising and the rise of procurement and transparency means that agencies now have to rely solely on their fee, whereas in the past they used to make a significant amount of money from mark up on production costs.49

4.42 BBH are affected by all of these factors, and certainly associate their brand with being in Soho. However, their lease ends in 2010, they expect rates to rise, and they might need more space. Therefore, they are currently looking for other premises at the moment, and are considering Victoria, Kings Cross and the Paddington Basin. They say that they could not be based outside of London, but could very easily move to another part of London. They clearly see the future of advertising in digital; indeed in 2006, BBH opened what it called the first virtual advertising office in Second Life.50
**SWOT ANALYSIS**

<table>
<thead>
<tr>
<th><strong>STRENGTHS</strong></th>
<th><strong>WEAKNESSES</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Size, scale and diversity of sector</td>
<td>• Availability of property (right kind of size and space)</td>
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<tr>
<td>• Localisation spill-over effects (wider labour pool effects, clustering, exchange effects, untraded interdependencies)</td>
<td>• Competition for space</td>
</tr>
<tr>
<td>• Close to competitors, gossip</td>
<td></td>
</tr>
<tr>
<td>• Proximity to leisure infrastructure, members clubs, etc.</td>
<td></td>
</tr>
<tr>
<td>• English is the global business language.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>OPPORTUNITIES</strong></th>
<th><strong>THREATS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Digitization</td>
<td>• Property price (competition for space)</td>
</tr>
<tr>
<td>• Co-location</td>
<td>• Quality of environment</td>
</tr>
<tr>
<td>• New opportunities in advertising, with online and sponsorship; also major market opportunities in emerging economies such as India and China</td>
<td>• Continuous digitization means uncertainty for the future</td>
</tr>
<tr>
<td>• Changes to film means opportunities for special effects houses (increase in the number of digital frames)</td>
<td>• BBC postproduction: there is a shift to West London.</td>
</tr>
<tr>
<td>• Olympics 2012 is a big opportunity for Creative Services</td>
<td>• Olympic 2012 means that there is a general skills funding threat.</td>
</tr>
<tr>
<td></td>
<td>• Advertising is going to become much more competitive, with competition from two main sources: media owners (branded content, advertorials, sponsored content) and the consumer (becoming producers of advertising material).</td>
</tr>
</tbody>
</table>
CREATIVE CONTENT

4.43 Creative Content companies are enterprises that exploit intellectual property, usually copyright protected, distributed to customers or audiences through sales, advertising or subscription to earn revenues. These include broadcasters, record companies, and all kinds of publishers, including software, computer games and electronic publishing (see Appendix B for more detail).

ECONOMIC PROFILE

4.44 There are a total of 3,484 Creative Content businesses in Westminster of which the majority (76%) employ four or less people and 3% employ 50 or more people. There are a total of 37,242 employees working in Creative Content businesses creating a turnover of £6.8bn, which makes this the largest sub-sector grouping. Of the Creative Content businesses surveyed 41% have a turnover of less than £1.5 millions and 10% over £7 millions.

4.45 When asked about the future of their market 62% believed that it will grow over the next 5 years, while 10% thought that it would contract. The businesses asked were a bit less optimistic about their own prospects with 55% thinking that their business would grow in employee terms in the same time period but only 5% thought their business would contract.

4.46 Three quarters of Creative Content businesses have been trading for more than five years with a further 19% having been in existence between 2 and 5 years.

GEOGRAPHICAL DISTRIBUTION

4.47 There is a historic concentration of Creative Content industries in Westminster, in particular around Soho and the wider West End.\(^5\) This is particularly concentrated in the media sub-sectors of broadcasting, film, publishing and music with the BBC headquarters being close by. There is a further cluster out towards the Maida Vale studios, in the north-west of the City, near the BBC recording studios.

4.48 The Video, Film and Photography sub-sector is again centred on the main Creative Industries cluster around Soho. There is further clustering around the Marylebone area in

this sub-sector. Strong clusters in Video, Film and Photography are also apparent in Bayswater and Maida Vale.

Soho: close to the BBC, packed with life and a wide range of properties, the ideal location for many Creative Content companies

4.49 The Publishing (print) sub-sector is clustered around the main Creative Industries area of Soho. They also have a strong presence in the Paddington area and in East Marylebone. There is another concentration of this sub-sector in the far north-west of the City out towards Queens Park.

4.50 The Software sub-sector is concentrated in the main cluster of Soho and further south towards Victoria. There is a large amount of office space in Victoria accounting for the concentration here. There is also a further cluster in the Paddington area which again is an emerging office location.

4.51 Overall, the Creative Content businesses are predominantly based around Soho with secondary clusters in Paddington, Victoria and out towards Maida Vale in the north-west.
SUPPLY CHAIN AND CUSTOMERS

4.52 Creative Content industries in Westminster again are at the top of the value chain, meaning that they tend to have national or international clients, national or international customers, but largely local supplies.

4.53 Being near to customers was important or very important for 41% of the Creative Content businesses interviewed and 47% thought that it was unimportant or very unimportant for their locational decision. Being near to Creative Industries suppliers was important or very important to 32% and 16% said that it was important or very important to be near ‘non-creative’ suppliers. Only 1% of the businesses who are planning to move mentioned moving closer to customers and/or suppliers as a factor.

4.54 All of the elements of the supply chain are present in London for most of the Creative Industry sub-sectors. London is a leading global city, with strong links into international markets, and a world-class communications infrastructure.52 A high proportion of corporate headquarters are also based in London, ensuring that the Creative Industries are in proximity to global capital, providing access to markets.53

4.55 In the film industry, one respondent told us that companies want to be in Soho because all the post-production houses are there, so they can ‘hop in and out’ of editing suites when they need to. However, this means that a number of companies have to compromise by being in unsuitable and tiny working environments.

SKILLS AND TRAINING REQUIREMENTS AND ISSUES

4.56 London is home to a highly skilled and educated workforce, and there is an availability of workers with specialist skills in a range of creative disciplines. For 54% of Creative Content businesses being able to recruit specialist staff was important or very important in their locational decision. A range of leading educational institutions supply fresh talent and are developing strong institutional links to the Creative Industries.54 There is no shortage of talented individuals willing to work in Creative Content industries (for the same reasons as stated with Creative Services) and 75% of Creative Content businesses interviewed find it easy or very easy to recruit managerial staff. However, a number of important skills and training issues have emerged from the research.

54 Third stream funding through higher education institutes – in particular, from the Higher Education Innovation Fund (HEIF) – supports a number of schemes to encourage enterprise activity in the creative sectors, including: (i) Centre for Fashion Enterprise at the London College of Fashion; (ii) Centre for Arts and Cultural Enterprise (LCACE) at King’s College London, Goldsmiths College and Queen Mary and Westfield; (iii) Centre for Creative Business at London Business School and University of the Arts London; (iv) NMK at the University of Westminster.
• Rapid technological change means that there is a constant need to invest in skills training and provision in areas such as post-production and filming or the industry will fall behind.

• The Olympics was mentioned as a key issue affecting skills funding. Because there is a recognized shortage of skilled tradesmen – electricians, carpentry and artisan trades – there is a real threat that this skills agenda will cannibalise the Creative Industries skills funding.

• There is a lack of ethnic minority representation in the film and television industry, both in terms of onscreen talent and also behind the scenes talent.

• Television: Skillset’s courses were described as ‘tenuous and difficult to access’ for small companies.

• There is a need to teach people in the Creative Industries core skills, such as pitching, and how to tell a story which will have an impact on every level of their business.

• ‘So many creatives have no idea about the practical issues, like filling in a tax return, being self-employed and pitching ideas.’ (Iram Quraishi, The Club).

• Leadership and management is a big issue

• There is an increasing need for people to have a wider portfolio of skills. ‘It is no longer enough just to understand television, you have to understand how it works on a variety of platforms.’ (Mandy Berry, Director, 01zero-one, Westminster and Kingsway College).

• When asked what kind of business support they would like to have 9% of Creative Content businesses mentioned skills and training.

NETWORKING AND BUSINESS SUPPORT NEEDS

4.57 As for Creative Services businesses, the ability to network in formal and informal ways is important for Creative Content businesses. When asked how important it is to be located in Westminster for their ability to network 70% of Creative Content businesses replied important or very important. Being near to bars and restaurants is important or very important for 66% of the businesses surveyed and being close to similar businesses is important or very important for 51%. Of the Creative Content businesses interviewed 65% said they attend a networking event or trade show two or more times a year.

4.58 Key themes emerging from the research are:

• Business support needs to be more specific for Creative Content companies. People need tangible advice, for example on issues to do with IP.
• There needs to be more places for Creative Content industries to network.

• Television: There is support needed for core business processes, such as bookkeeping, VAT, tax. As one respondent said 'I have brown envelope phobia. I put it in the pile, and send it straight to the accountant.' (Executive Producer, independent television production company)

• In the audio-visual sector for instance companies need more business skills training; they need to learn how to float their companies, and how private investment works.

• Only 7% of Creative Content businesses interviewed had been in contact with a business support agency in the last 12 months.

**LOCATIONAL, PROPERTY AND ENVIRONMENTAL REQUIREMENTS**

4.59 The research confirmed the importance of London as a global centre for Creative Content production. However, a clear trend emerged showing that many Creative Content companies are either in the process of leaving, or have already left. This is principally due to cost pressures on property; but it also reflects challenging trading conditions in their own markets, which in turn are forcing down margins and budgets.

• The music industry has now largely left Westminster, with EMI the last major company in Soho (Charing Cross Road) with their head office in Hammersmith. Many of the other majors are now in West London (Hammersmith and Kensington).

• Television: independent television production was largely based around Soho and East Marylebone/Fitzrovia, following the creation of Channel 4 in 1982 (and the location of its initial HQ building in Fitzrovia) and the advent of the commissioning system. Today, television production companies are increasingly absent from Soho, except for a few major players such as Tiger Aspect, having clustered in cheaper centres such as Marylebone, Camden/Kentish Town, Shepherds Bush/Olympia, and Shoreditch.

• Film: Working Title remain in the West End, but again there are signs of a shift away from the centre. For example, Andrew Eaton’s Revolution Films is successfully based in Shoreditch, as well as the sector support agency Film London. Shoreditch provides access to flexible cheap space, which is now impossible to find in Soho.

• Book publishing: a small number of major publishers still remain in the West End (Penguin, Bloomsbury), but many large publishing companies are based elsewhere, such as Macmillan in Kings Cross.

4.60 There are a number of reasons why Creative Content companies are less dependent on a central Westminster location, and why there is a drift away from the West End. Creative
Content projects tend to have longer lead times, as would be seen in film and television. This means that there is less need for constant interaction with clients and suppliers. The creative talent that works on Creative Content projects (e.g. directors, producers, musicians etc.) tend to be dispersed within London and nationally, and have little or no need for permanent office space in the West End. Therefore, there are fewer reasons to have a very expensive Soho office location. One respondent reported that there was now less money to be made in the music industry, therefore there was less real need to be in Soho, when better deals on property and more suitable space can be found elsewhere.

4.61 However, for some flagship companies (such as Working Title or Tiger Aspect), a Soho/West End address is still seen as highly desirable. For example, one company interviewed (EMI Music) said that there was ‘brand equity’ in being based in Soho, which had the buzz of being ‘super rich, super poor, super seedy’.

4.62 The telephone survey results for the Creative Content businesses show a similar pattern as for the Creative Services businesses with public transport access (93%), good quality public space (71%) and closeness to bars and restaurants (66%) being the most important factors when choosing a location as shown in Figure 13.

Figure 13 – Locational Requirements Creative Content Businesses

4.63 Most Creative Content businesses interviewed can make their locational decisions within Westminster as for 88% of them Westminster is their only site or is their divisional headquarters.

4.64 Of the Creative Content businesses interviewed 59% have not always been located at their current location and have, therefore, made an active decision to locate within Westminster. Of those businesses that have moved to their current site 34% moved from outside the Borough. These figures indicate that there are more indigenous Creative Content businesses in Westminster than Creative Services businesses and that Westminster is a traditional home for this kind of businesses.

4.65 The majority of Creative Content businesses interviewed (84%) occupy office premises, 9% are located in studios and the rest in a variety of premises. Most premises (61%) occupied by Creative Content businesses are less than 1,000 sq ft and tend to be relatively old with 79% dating pre 1950.

4.66 More Creative Content businesses tend to rent their premises (60%) compared to the overall average in the Creative Industries (46%), with 32% having leases or rents of less then one year. This tenancy arrangements seem to fit the demand as owning the freehold is not very important to the Creative Content businesses with 26% saying that it is important or very important to them to own the freehold and 44% say it is unimportant or very unimportant to them. Having flexible lease/rent arrangements has been mentioned by 52% as being important or very important and by 16% as being unimportant or very unimportant.

4.67 Being in a safe building and/or environment (96%) and having a reliable power supply (95%) are the two most important premises requirements for Creative Content businesses. This is mainly due to the expensive IT equipment used by many Creative Content businesses, which needs a reliable power supply to operate reliably.
Of the Creative Content businesses interviewed 25% say they will move some or all of their operations within the next five years and a further 20% say they may move some or all of their operations. Of those planning to move 34% intend to move within the next 12 months and a further 28% intend to move in one to three years time.

Of those businesses intending to move 39% are looking for premises close to their current location and 7% intend to move outside London. The main reasons for moving are the need for more space (43%) and the high cost for the premises (28%) followed by problems with the lease (12%).

**CASE STUDY: TIGER ASPECT**

Tiger Aspect are an independent television company who produce content for all the UK’s main terrestrial and non-terrestrial broadcasters, and increasingly for international broadcasters. The company was originally founded by Oscar winner Peter Bennett-Jones as Tiger in 1988, and in 1993 it merged with Aspect to become Tiger Aspect.

They are particularly well known for their situation comedies, including programmes such as The Vicar of Dibley and Mr. Bean, as well as the highly successful children’s television
series Charlie and Lola. Increasingly they are well-known for drama and factual programming, including Omagh, Teachers, Murphy’s Law and Country House.

4.72 Tiger Aspect’s business model has been affected by recent changes to the media regulatory environment. Independent television production in the UK has undergone regulatory change following the Communications Act 2003 and the review of public service broadcasting undertaken by the industry regulator OFCOM. This led to the development of new Terms of Trade between the independents (‘Indies’) and major UK terrestrial broadcasters which work dramatically in the Indies favour. The Communications Act strengthened the 25% independent production quota, which all UK Terrestrial Broadcasters are required to meet. Furthermore, the Act also transformed the rules governing intellectual property rights in the broadcasting industry. Historically, Indies had to give up the valuable secondary and ancillary rights to the programmes they produced in return for the commission fee, limiting their ability to create a library of exploitable rights. However, the new Terms of Trade laid out in the Communications Act 2003 mean that Indies now have the right to retain and exploit the intellectual property they create in making programmes for UK Terrestrial Broadcasters. For a large Indie such as Tiger Aspect, this is particularly valuable, as they are now increasingly able to exploit their intellectual property worldwide. This means that Tiger Aspect’s business model has altered, as they are increasingly in the business of managing their rights portfolios.

4.73 They have two buildings in Soho, with at any given time about 250 people working for them. A large proportion of those are contract freelancers, so the permanent core in London is approximately 80 people.

4.74 They rent their premises, paying between £30 to £35 per square foot. When they moved into their office space it was crucial for them to have a flexible footplate, to allow them to grow and contract due to the nature of their business. They also need a combination of open plan and cellular offices with quiet spaces to suit the varying production needs of different genres.

4.75 It was very difficult for Tiger Aspect to find the right space in Soho, because ideally they needed a modern office space with a large floor plate on one floor. Due to the nature of property in Soho, they are up and down stairs all the time, which is a difficulty. However, they find the quirky character of their building is something that the staff like.

4.76 A number of push factors are making Tiger Aspect reconsider being based in Soho. They are currently in a building under rent review, and they might have to consider moving. A

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major factor will be cost: the rates are high and rising rapidly in Soho. There is a lot of building work everywhere which is making them consider if it’s tenable to remain in the area, as noise is a big issue. They also had serious worries about the impact of the planned Cross Rail Line 1 proposal, which could have a major impact on creative businesses in the area, as it goes underneath the north part of Soho (the proposed Cross Rail Line 2 runs north-south through Soho). Other environmental factors were also an issue for them, such as opportunistic theft, poor refuse collection, drug-users disposing of needles, traffic congestion/parking issues and anti-social behaviour.

4.77 However, there are strong pull factors keeping them in the area. Co-location to ancillary services, clients and to competitors are important factors for Tiger Aspect’s location. For example, the majority of post-production houses are in W1. Also they find that the onscreen talent likes to come to central London. Location is also a major factor in terms of staff retention, and attracting talent, as staff like working in Soho. Whilst Tiger Aspect acknowledge that they could be based anywhere in London, they like the atmosphere and amenities of being in central London. The restaurants and bars are all good for business socialising, and the transport links are important.

4.78 In common with the wider findings for this research, Tiger Aspect do not have difficulties finding talented, skilled individuals on the creative side. However, they do have skills shortages in terms of commercial awareness, and knowing the market. They have a relationship with PACT, Skillset and have, in the past, used Business Link.

4.79 The market that they are in is getting increasingly competitive. In the next 3-5 years, they see consolidation of the Indie sector intensifying. International competition is getting fiercer, but also presents more opportunities, through co-productions and the sale of formats abroad. Multiple platforms are both a challenge and an opportunity. For example, mobile phone technology offers a whole new market area that they are moving into. Multi-platform opportunities include:

- Mobile content (programme clips, previews, pictures, updates, interactive games)
- Web based content (distribution of programming via internet subscription, extra programme material, clips, previews)
- Telephony income (e.g. phone, text voting)
- Sponsorship (TV, mobile or web based, product placement, and so forth)
# SWOT Analysis

## Strengths
- History of the area is inextricably linked to Creative Industries
- Westminster is the traditional hub for Creative Content industries (flagship area); and there are some large content companies and global names in Westminster (who will probably stay)
- There is a strong link between Creative Content and post-production. Co-location to post-production is a vital strength.
- UK has highest proportion of graduates in the world
- Soho, the location of many Creative Content businesses, is not a polished environment and has a ‘edgy’ feel to it, which is liked by many creative businesses

## Weaknesses
- Strong exit trend for publishing, television and music industry (especially with digitisation underpinning an outsourcing process)
- Price
- Soho is ‘dirty, grotty and run-down’, with a drinking/drug culture that puts businesses off

## Opportunities
- Co-location
- Increasing opportunities through digitization (e.g. internet broadcast, mobile phone content, new platforms)
- IP opportunities (in music) through special editions, live versions, exclusive interviews
- Global opportunities
- Branding/inward investment
- ‘Every other city is branding itself around creativity – not Westminster’: there is a strong feeling that Westminster is a ‘secret’ Creative Industries hub - it could make itself much more attractive to Creative Industries.

## Threats
- Restructuring means location less important
- Outsourcing of core Creative Content functions to Eastern Europe and the Far East (such as animation)
- Oversupply of companies (in television) vying for finite slots
- Size of music market has shrunk
- BBC move
- Property prices/leases.
- Competition from new clusters of production:
  - West/East London
  - UK
  - International
CREATIVE ORIGINALS

TYPE AND RANGE OF ACTIVITIES

4.80 These are enterprises, or sole traders, whose work is based on the manufacture, production or sale of physical artefacts, the value of which derives from their perceived creative or cultural value and exclusivity (i.e. they are not mass-produced, but produced as one-offs or in limited production runs). These include Designer Fashion, Crafts based activities such as Jewellery, and Arts and Antiques (see Appendix B for more detail).

ECONOMIC PROFILE

4.81 There are a total of 549 Creative Originals businesses in Westminster of which only 8% have more than 10 employees. In total there are 3,815 employees working in this sub-sector grouping creating a turnover of £2.9bn.

4.82 When asked about the future of their market 63% believed that it will grow over the next 5 years, while 15% thought that it would contract. The perception of their future market is similar to Creative Content businesses but not quite as buoyant as the market perception of Creative Services businesses. The Creative Originals businesses asked in the survey were a less optimistic about their own prospects with 36% thinking that their business would grow in employee terms in the same time period and 51% believing it will stay about the same.

4.83 Of the Creative Originals businesses interviewed 83% have been trading more than 5 years and 9% having been in existence between 2 and 5 years.
There are only few jewellers that produce on site left within Westminster

GEOGRAPHICAL DISTRIBUTION

4.84 Designer Fashion and Arts and Antiques businesses are predominately clustered around Soho. There is also a cluster in the south of the City near Victoria station. The arts dealer cluster in Mayfair around Sotheby's and Christie's does not show in the GIS mapping. This might be due to the difficulties of picking up these businesses on the basis of SIC classification or because this is more a perceived hub for arts and antiques dealers with the two main international players located in Mayfair.

SUPPLY CHAIN AND CUSTOMERS

4.85 The supply chain for originals is local, national and international, depending on the scale and success of the business. The following are examples drawn from the research:

- Sotheby's deals in originals, and is based on New Bond Street, but operates in a highly international marketplace, with clients from all over the world coming to buy goods in London. Its main suppliers (antiques dealers) are largely local, often based around New Bond Street. However, increasing rental costs mean that these dealers are being forced to move further afield.
- Zakee Shariff is a designer/maker who rents workspace at Great Western Studios (500 sq ft for £6000 a year). She has largely local clients in London, with some international clients. She had built a strong clientele who like coming to the area. She is based at Great Western Studios because it’s in a very creative area, where there are lots of mutual businesses around. However, Great Western Studios is under threat of demolition from CrossRail Line 1, which means that Zakee is currently having to reconsider where she will be based in the future (and suggested she might move abroad), as the area is too expensive for her to stay in without being based at Great Western Studios.

- Mike Hambling, a jeweller based in Soho, gets 80% of his business from the high end jewellery stores around Bond Street/Burlington Arcade. He uses freelance suppliers such as polishers and setters who are highly spread out geographically (outside the M25). This slows down the production chain, because in the past if there was a problem they could call around and get the change made immediately. This is no longer possible and leads to slower production time and some increase in costs.

4.86 As illustrated above Creative Originals businesses have a close relationship with their customers and often sell directly to the end user. This, as the survey shows, makes locational decision factors such as good quality public space, good public transport and being near to their customers the most important locational requirements for Creative Originals businesses (see Figure 15).

4.87 In line with the other Creative Industries businesses Creative Originals being near to Creative Industries suppliers (24%) and ‘non-creative’ suppliers (16%) are the locational factors mentioned the least often as being important or very important for their business location decision.

SKILLS AND REQUIREMENTS AND ISSUES

4.88 Of the Creative Originals businesses asked 53% said that being in Westminster was important or very important to them in terms of the ability to recruit specialist staff. When asked how difficult they found it to recruit managerial staff 56% of the Creative Originals businesses said they found it very easy or easy and 35% found it difficult or very difficult.

4.89 Skills issues tend to be quite industry specific, yet common themes among the Creative Originals businesses also emerge. A number of respondents mentioned the need for greater IT skills, particularly in the use of software programmes such as Photoshop. According to respondents, higher education courses often fail to equip students with basic skills, and there is often little time or support or train them when they are on the job. In other areas such as jewellery and bespoke tailoring, the findings also suggest that there is
a lack of young people coming through with the right skills. There was a clear discrepancy here between small enterprises (such as those at Great Western Studios, or in the jewellery sector), and large organizations such as Sotheby's. For example, Sotheby's declared that they had no skills and training needs, because so many people want to work for them and London's status as a world city and the buzz that goes along with it helps to attract top quality professionals. This means that they can pick and choose from highly skilled individuals.

4.90 Of the Creative Originals businesses interviewed 11% mentioned skills and training when asked what type of business support would you like.

NETWORKING AND BUSINESS SUPPORT NEEDS

4.91 Of the Creative Originals businesses interviewed 50% said it is important to them to be close to similar businesses and 58% attend two or more networking or trade shows per year. Being close to bars and restaurants, which allows informal networking, is important or very important to 50% of Creative Originals businesses which is less then for Creative Services and Content businesses. This is also reflected in the fact that 55% of Creative Originals businesses find it important or very important to be located in Westminster for the ability to network in an informal way compared to 64% in average for all the Creative Industries businesses interviewed.

4.92 Only 5% of Creative Originals businesses interviewed had been in contact with a business support agency in the last 12 months and 73% say they do not need any services from business support agencies.

4.93 Where there was a demand for business support, or there had been a positive experience in the past, businesses were quite explicit that there is a perception that support is difficult to find. Some of the respondents found support through organizations such as Portobello Business Centre, although there was also a reliance on informal support and advice from family and friends. In the jewellery sector, the sector initiative London Jewellery First was commended for raising awareness of the sector, aiding networking and for addressing problems of planning and training. Although creative original enterprises find themselves in an increasingly competitive market, with new global competition, the expansion of new markets and prosperity also means great opportunities. While international growth was an immediate and potentially lucrative possibility for the micro-businesses in this sector, the findings showed that they had a great need for business advice in terms of how to access new markets. For many of these small businesses, the research showed that there is often a feeling that there is little support and that they are very much on their own.
4.94 The activities of Creative Originals are largely characterised by individuals and micro businesses. Much of the activity that did exist within Westminster, e.g. jewellery manufacturing in Soho, has disappeared. New entrants into the designer/making, jewellery or visual arts are not likely to choose Westminster due to cost pressures, and because there is more tailored workspace offerings to be had elsewhere, whether this is Hatton Garden/Clerkenwell, Shoreditch/Hackney, Wood Green, Deptford, and so on. Great Western Studios is the only major space within Westminster that can currently provide a comparable offer.

4.95 When asked about the factors influencing their locational decisions good quality public space (84%), good public transport (81%) and being near to customers (72%) were mentioned the most often as being very important or important. As discussed in paragraph 4.86 this can probably be explained by the fact that many Creative Originals businesses sell directly to the end user and that a nice environment and good accessibility is important for customers purchasing from Creative Originals businesses.

Figure 15 – Locational Requirements Creative Originals Businesses

Three quarters of Creative Originals businesses interviewed can make their locational decisions within Westminster as the site in Westminster is their only site or the divisional headquarters.

Of the Creative Originals businesses 52% have not always been located at their current location and have therefore made an active decision to locate within Westminster. Of those businesses that have moved to their current site 46% moved from outside the Borough. These figures indicate that Westminster continues to attract Creative Content businesses.

Just over half of the Creative Originals businesses operate out of shops and one quarter occupies office premises. Most of the premises occupied are fairly small with 57% being under 1,000 sq feet and a further 29% between 1,000 and 3,000 sq ft. Like with all the
other sub-sector groupings the building stock occupied is fairly old with 83% of businesses occupying buildings built pre 1950.

4.99 Of the Creative Originals businesses interviewed 88% either lease or rent their premises. They tend to have longer leases compared to Creative Services and Content businesses with 34% having more than 5 years left on their lease. Creative Originals businesses also put more importance on owning the freehold with 34% saying this is important or very important to them compared to 19% for Creative Services and 26% for Creative Content businesses.

4.100 Over 80% of Creative Originals businesses find the following property requirements important or very important as shown in Figure 16:

- Safe building/environment
- Good quality environment
- Building management/maintenance
- Sufficient space
- Good quality premises
- Reliable power supply

4.101 The top three replies (safe building/environment, good quality environment and building management/maintenance) are most likely linked to the value of goods produced and traded by these companies.
4.102 Of the Creative Originals businesses interviewed 12% say they will move some or all of their operations within the next five years and a further 16% say they may move some or all of their operations. Of those planning to move 20% intend to move within the next 12 months and a further 32% intend to move in one to three years time.

4.103 Of those businesses intending to move 27% are looking for premises close to their current location and 10% intend to move outside London. The main reasons for moving are the need for more space and the high cost for the premises (both 31%) followed by the requirement for better quality premises and because of the congestion charge (four responses each).

CASE STUDY: MIKE HAMBLING, HAMBLING & TREBBLE LTD

4.104 Mike set up his studio 12 years ago. He is currently based in Soho. He has 4 designers plus a manager, as well as 10 freelancers that he uses on a regular basis. He is involved in design and finishing jewellery pieces, and his clients are high end independent jewellery shops on Bond Street/Burlington Arcade where they commission goods to customer
specifications. This accounts for 70-80% of his custom. There is very little selling directly to the public, and personalized service is their key selling point.

4.105 They found their current premises through a personal relationship with the landlord who also works in the jewellery sector, where they pay £25 per sq ft, which is significantly below the going market rate for the area. Before that they had difficulty finding space, as most landlords thought that they could more money from other users (e.g. finance, property) and did not want light industry lessees (because they are in a different Use Class classification to offices, and the landlords had the impression that it would mean wear and tear, noise, dirt and dust).

4.106 There have been dramatic changes in the jewellery industry over the last thirty years. There used to be a large jewellery cluster in Soho, but now there are approximately half a dozen companies, all of which are small well established businesses, with no new businesses coming through. There is a reliance on freelancers, and a return to a cottage industry, rather than larger scale employment. Increasingly the Far East is more competitive in this market, and there is less and less workspace for the sector to use. While light industrial use can change to office use without the need for planning permission (by virtue of the Use Classes Order 1987) changing back to light industrial use is unlikely. The sector is suffering from a lack of young people coming through with the right skills, and at the same time as businesses become smaller they can no longer justify the expense in training up apprentices.

4.107 For Mike, Westminster is not as strong as Camden on protecting and supporting the creative economy and, in particular, the jewellery sector. For example, Camden has successfully supported and engaged with the jewellery sector based in Hatton Garden, using its position to try and ensure that any change of use or new build has some positive impact on the sector through s106 monies.

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56 According to analysis by GVA, the average office rent in Mayfair was £57.50 per sq ft in 2006.
## SWOT ANALYSIS

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<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
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<td>• Often there is no appropriate property for businesses</td>
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<tr>
<td>• Fashion industry and worldwide reputation of Savile Row</td>
<td>• Price of renting is a major barrier</td>
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<td>• Centre for antiques dealing</td>
<td>• Lack of younger skilled craftsmen coming through</td>
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<td>• Co-location with wealthy, aspirational consumers for creative original products</td>
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<td>• World-class galleries</td>
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<th>OPPORTUNITIES</th>
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<tr>
<td>• There are planning gain opportunities, through the use of tools such as Section 106</td>
<td>• Property Price</td>
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<tr>
<td>• Consumption: there are many prosperous potential customers in Westminster</td>
<td>• Demolition of Great Western Studio because of Crossrail Line 1</td>
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CREATIVE EXPERIENCES

TYPE AND RANGE OF ACTIVITIES

4.108 Creative Experiences companies are those in which the core business model is based around selling the right for consumers to witness or experience specific activities, performances or locations. These fall within the area of music and the visual and performing arts, and include live theatre, music, opera and dance, which are consumed at the time and place of performance, rather than through recordings or broadcasts. (See Appendix B for more detail).

ECONOMIC PROFILE

4.109 There are large consumer markets for creative experience products because a high proportion of London’s residents (and visitors) are economically prosperous. For example, in 2002 the top 20 box office films had a larger London audience than in the rest of the UK. 58

4.110 There are a total of 2,172 Creative Experience businesses in Westminster of which the majority (90%) employ four or less people and only 29 businesses employ 50 or more people. There are a total of 10,642 employees working in Creative Experiences businesses creating a turnover of £1.1bn. Of the Creative Experiences businesses surveyed 48% have a turnover of less than £1.5 millions and 7% over £7 millions.

4.111 Theatres alone have a significant economic impact in this country – most recent research shows that they contribute £2.6bn annually to the national economy, with London theatre based activity accounting for at least £1.5bn in 2002/03. 59

4.112 When asked about the future of their market 59% believed that it will grow over the next 5 years, this makes it the sector grouping with the fewest respondents believing that their market will grow. On the other hand only 5% of Creative Experience businesses thought that their market would contract. Only in the Creative Services sub-sector grouping did fewer businesses (2.7%) think that their market would decline. Just over half of Creative Originals businesses (52%) thought that their business size (in terms of employees) would stay the same over the next five years and 36% thought that it would grow.

4.113 Of the Creative Experiences businesses interviewed 82% been trading more than five years with a further 13% having been in existence between 2 and 5 years.

GEOGRAPHICAL DISTRIBUTION

4.114 Music and the Visual Performing Arts are centred on the main cluster of Creative Industries in the West End and in Soho and Covent Garden in particular. This is mainly attributable to the existence of ‘Theatreland’, the Royal Opera House, English National Opera and numerous live music venues in these areas.

SUPPLY CHAIN AND CUSTOMERS

4.115 The story here is more differentiated, depending on the sector. Westminster clearly remains a centre for cultural consumption and spectacle, and is the heart of the UK’s theatre and cinema exhibition industry.

4.116 In the theatre industry, suppliers (actors, directors, technical staff) are drawn from a national and international pool of labour that is largely freelance or employed on a contract basis. More and more producers are now coming from North America because it is cheaper (less unionised and lower staff costs) and less risk (London theatres can run at 50% capacity, which is not possible in New York).

4.117 In the area of live music the research showed that the suppliers (security, cleaning, maintenance) are generally not based in Westminster, while customers are local, regional and international.

4.118 As Creative Experiences businesses need to attract large numbers of customers to their venues good public transport and good quality public space is important to them. Being near to Creative Industries suppliers is important or very important for 29% of Creative Experiences businesses and 15% mentioned that being close to ‘non-creative’ suppliers was important to them.

SKILLS AND REQUIREMENTS AND ISSUES

4.119 Of the Creative Experience businesses asked 46% said that being in Westminster was important or very important to them in terms of the ability to recruit specialist staff. When asked how difficult they found it to recruit managerial staff 63% of the Creative Experiences businesses said they found it very easy or easy and 14% found it difficult or very difficult. This makes it, together with Creative Content, the sub-sector grouping with
the least problems in recruiting skilled staff. This has been confirmed by the qualitative research where skills requirements and issues did not emerge as a pressing issue.

NETWORKING AND BUSINESS SUPPORT NEEDS

4.120 Of the Creative Originals businesses interviewed 53% say it is important to them to be close to similar businesses and 51% attend two or more networking or trade shows per year, which is the lowest percentage of all sub-sector groupings. But still 67% of Creative Experiences businesses find it important or very important to be located in Westminster for the ability to network in an informal way compared to 64% in average for all the Creative Industries businesses interviewed.

4.121 Only two of the 110 interviewed Creative Experiences businesses had been in contact with a business support agency in the last 12 months but 35% say they would like some kind of help/advice from business support agencies.

LOCATIONAL, PROPERTY AND ENVIRONMENTAL REQUIREMENTS

4.122 Theatre continues to thrive in the West End, and ‘Theatreland’ is a strong brand with a significant draw for national and international audiences.

4.123 The live music sector still has a significant base in the West End, for both contemporary and classical genres. However, due to the difficulties of finding sites for new venues and the high cost of land, more venues are opening up outside of Westminster. Indeed the difficulty of acquiring public entertainment licences has risen to prominence recently as a key impediment to the growth of live music in smaller venues."60 Promoters report difficulties in finding/getting permission to use outdoor spaces for concerts, due to tensions between residential and business needs. Also, audiences are conservative and go to venues that they know and feel hold certain values.

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Another finding from the research into live music is that Westminster does not have as strong a brand/recognition value with audiences of popular music, compared to places such as Camden, Brixton or Hackney. In terms of live contemporary music, one respondent suggested that Westminster was not seen as a cultural location, in the same way that Camden and Islington are. Another pointed out that customers are happy to travel outside of central London to see a favourite band, so there is no need to be based in Westminster, given the cost and difficulties of finding space there.

As expected good public transport access is the most important locational requirement for Creative Experiences businesses, with 88% of interviewees mentioning this as being important or very important to them. This is followed by good quality public realm (78% find this important or very important) which again has to do with the fact that these businesses need to attract large numbers of visitors and they need to feel comfortable and have a pleasant environment in which to meet, eat and drink in.
4.126 Most Creative Experiences businesses interviewed can make their locational decisions within Westminster as for 86% of them the site in Westminster is their only site or the divisional headquarters.

4.127 Of the Creative Experiences businesses interviewed 49% have not always been located at their current location and have, therefore, made an active decision to locate within Westminster. Of those businesses that have moved to their current site 43% moved from outside the Borough. These figures indicate that Westminster continues to attract Creative Experiences businesses.

4.128 Of Creative Experiences businesses interviewed 43% occupy office premises, and a relatively large number (10%) occupy a variety of premises types such as concert halls, churches etc. Theatres and Galleries were occupied by 9% and 7% respectively. Just over half of the premises occupied by Creative Experiences businesses are less than 1,000 sq ft and 34% are in premises between 1,000 and 5,000 sq ft. Unsurprisingly, the premises tend to be relatively old with 86% dating pre-1950, which is the highest proportion of buildings in this age band occupied by any of the sub-sector groupings.
4.129 Creative Experiences businesses have the highest proportion of freehold premises amongst the four sub-sector groupings with 24% of Creative Experiences businesses interviewed owning the leasehold to their premises compared to the average of 16% of all Creative Industries businesses interviewed.

4.130 Over 80% of Creative Experiences businesses find the following property requirements important or very important as shown in Figure 18:

- Safe building/environment
- Good quality environment
- Reliable power supply
- Fast data connections
- Building management/maintenance
- Good quality premises

**Figure 18 – Property Requirements Creative Experiences Businesses**
4.131 Of the Creative Experiences businesses interviewed 13% say they will move some or all of their operations within the next five years and a further 14% say they may move some or all of their operations. Of those planning to move 66% intend to move within the next three years.

4.132 Of those businesses intending to move 27% are looking for premises close to their current location and 10% intend to move outside London. The main reasons for moving are the need for more space (39%), the high cost for the premises (27%) followed by problems with the lease (15%).

CASE STUDY: RONNIE SCOTTS

4.133 When Ronnie died unexpectedly in 1996, Pete King continued to run the club, but without Ronnie his heart was no longer in it. In June 2005 the club was sold to theatre impresario Sally Greene, who had been a regular of the club for many years, and underwent a complete refurbishment. Although for some jazz traditionalists these changes have proved unwelcome, the shift from late night smoky dive to professional outfit has been a tremendous commercial success. The club regularly hosts popular acts such as Macy Gray and Gabrielle, as well as traditional and upcoming acts appealing to both the jazz purists and a younger audience.

4.134 The club employs approximately 50 staff at the club itself, along with 12 marketing staff and several more working the box office. The key requirements of running a live music venue such as Ronnie Scott’s lie in booking world-class acts, and having a flexible space for them to perform in. The club has acts which range in size from single jazz pianists to full bands, so the stage needs to be flexible. Also, the pricing of tickets has to be dynamic to take into account the varying pulling power of different acts, yet ultimately with only 250 seats to be filled, finding the balance between new acts and established venue fillers is crucial.

4.135 The clientele is drawn from all over the world by the club’s reputation, as are the artists. Both customers and musicians are also attracted by the lure of Soho, as a result of its international reputation for nightlife, dining and atmosphere. So too are the staff, many of whom are international, who enjoy the buzz of working at the club, and of being in the centre of London. Indeed, being in Soho is absolutely crucial for the business. According to Leo Green, the artistic director of the club, ‘it’s still a very vibrant area, and there’s still a strong sense of community here. More than that, visitors to the club want to come out and see Soho, it’s all part of the mix about coming to see an act at the club’. Transport links are also a crucial attraction of the area.
4.136 However, Leo thinks that some things are changing in the area for the worse. Along with many other interviewees for this report, he reported a creeping sense of homogenisation in Soho, as the family businesses and restaurants that traditionally populated the area are forced to move out because of rising rents, replaced by high street brands such as Nando’s, Pizza Express and Starbucks. From this perspective, the presence of a venue such as Ronnie Scott’s is vital to the diversity of the area. Moreover, this diversity and ‘creative buzz’ is a key pull factor for clients and artists. The club also suffers from perennial problems with parking attendants. It has double yellow lines outside, yet stage equipment needs to be unloaded on a daily basis. Whilst this only takes around 20 minutes, often the crew delivering the equipment receive parking tickets. Leo feels this is an inflexible approach on the part of the parking attendants, which fails to take into account the specific needs of a live music venue.

4.137 Leo was also at pains to point out the damage that the Licensing Act 2003 is having on the live music culture, both in Westminster and nationally. This stipulates that any venue that wants to put on live performances must have a licence. According to Leo, this has damaged the informal live music culture, which was always a key part of Soho’s cultural life, in the pubs and bars in the area. These small informal music venues are unable to pay out the capital costs that are necessary to meet the demands of the new licences, and so most have ceased putting on live music. For Leo, this poses a threat the future vitality of the music culture in the UK: “When I was a musician there was music in every pub. Now you need this licence – this has destroyed it….Soho used to be the hub of jazz and rock. There were so many venues, but now it has fallen by the wayside. There is no way for musicians to ply their trade anymore.’ While recent research challenges this perception, suggesting that new venues are appearing as others cease offering live music, it is clear that such sentiments need to be taken seriously at a political level, and require further investigation. For as a number of commentators and policymakers have argued, live music as a key part of a cultural offer plays a vital role in the regeneration of deprived urban areas, and helps to draw skilled people back into city centres.

### SWOT ANALYSIS

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits of clustering and co-location</td>
<td>Environmental issues such as binge drinking and litter</td>
</tr>
<tr>
<td>West End Theatre is a global draw</td>
<td>Cost of refurbishing infrastructure is an ongoing problem</td>
</tr>
<tr>
<td>Tourism</td>
<td>Venues that are suitable for live performances are difficult to get hold of in central London in general, but particularly so in Westminster.</td>
</tr>
<tr>
<td>Accessibility</td>
<td>It is very difficult to purchase new premises for theatre performances. The newest theatre in the West End - the Soho – had to purchase land and then build on it. This is very expensive and was only possible with public sector support (Westminster, ACE). Even this was a replacement and not a new entrant to the market.</td>
</tr>
<tr>
<td>History</td>
<td>Venues (music) do not communicate with each other. The Council could be useful in terms of starting networking events (as long as they have the right kind of database).</td>
</tr>
<tr>
<td>Listed status</td>
<td></td>
</tr>
<tr>
<td>Competition</td>
<td></td>
</tr>
<tr>
<td>Numbers of people living, working and visiting the City,</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Music (expanding market) performing venues</td>
<td>Rise of new hubs of live music youth culture in London, such as Shoreditch</td>
</tr>
<tr>
<td>Co-location to City</td>
<td>Quality of environment</td>
</tr>
<tr>
<td></td>
<td>Cross Rail and Olympics threaten key live music venues.</td>
</tr>
<tr>
<td></td>
<td>Licensing Act 2003</td>
</tr>
</tbody>
</table>
5. PLANNING POLICY AND CREATIVE INDUSTRIES

INTRODUCTION

5.1 "To maintain the vitality and diversity of economic activity in Westminster" Westminster’s UDP aims to protect existing light industrial floorspace (Policy COM 8) within the Creative Industries Special Policy Area (see Figure 1) and small scale industrial uses across the Borough (Policy COM 10).

5.2 The research has shown that the majority of Creative Industries businesses interviewed occupy B1 office space (63%) and 17% are located in shops (A1 Use Class). Only a small proportion occupy studios (7%) and very few are located in light industrial premises (1%) or workshops (1%) as shown in Table 8.

Table 8 – Type of Premises

<table>
<thead>
<tr>
<th></th>
<th>All respondents</th>
<th>Services</th>
<th>Content</th>
<th>Originals</th>
<th>Experiences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>63.2%</td>
<td>92.2%</td>
<td>84.2%</td>
<td>24.7%</td>
<td>43.1%</td>
</tr>
<tr>
<td>Retail/shop</td>
<td>16.9%</td>
<td>0.0%</td>
<td>3.1%</td>
<td>52.5%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Other</td>
<td>7.4%</td>
<td>1.8%</td>
<td>3.1%</td>
<td>10.8%</td>
<td>17.43%</td>
</tr>
<tr>
<td>Studio</td>
<td>6.7%</td>
<td>4.2%</td>
<td>8.5%</td>
<td>5.1%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Gallery</td>
<td>2.3%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.8%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Theatre</td>
<td>1.7%</td>
<td>0.0%</td>
<td>0.00%</td>
<td>0.0%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Light industrial</td>
<td>1.0%</td>
<td>0.6%</td>
<td>1.2%</td>
<td>1.9%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Workshop</td>
<td>0.8%</td>
<td>1.2%</td>
<td>0.0%</td>
<td>1.3%</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

Westminster Creative Industries Business Survey, GVA&BOP, 200The vast majority (over 80%) of Creative Businesses occupy premises (office and retail) which can also be occupied by the majority of ‘Non-Creative-Industries’ businesses in Westminster.

5.3 The research also shows that Creative Industries in Westminster are strongly clustered within the Creative Industries Special Policy Area. However, 57% of Creative Industries businesses employ 78% of the total Creative Industries employees outside the Special Policy Area.

5.4 These findings raise a series of questions:

- Can Creative Industries be fostered / supported by land use planning policies if the majority occupy general unfettered office or retail premises?
• Is the UDP Policy COM 8 an effective measure to support Creative Industries?

• Are there other planning policy measures that could support the Creative Industries cluster in Westminster?

• Does the Creative Industries Special Policy Area cover the right geographical area, should it cover a different area(s) or is there a need at all to identify a specific area?

5.5 To identify possible measures to support the Creative Industries cluster through planning policies we have asked Creative Industries what premises and locational factors are important to them. The findings to these questions are presented in Section 4. We have also asked businesses what premises and environmental constraints they face. The answers to this question are presented below.

KEY PREMISES AND ENVIRONMENTAL CONSTRAINTS

5.6 When asking businesses through the telephone survey what premises and environmental constraints affect their business 33% replied ‘nothing’. Crime and security (31%), the price of premises (29%) and loading/unloading (27%) were the issues raised most often as shown in Figure 19. The findings of the telephone survey were supported by our qualitative interviews with key businesses.

Figure 19 – Premises and Environmental Constraints

Loading and unloading is often an issue for arts and antiques businesses and for theatres and music venues.

5.7 Of the 600 businesses interviewed 195 (33%) were planning to relocate some or all of their businesses. This is a similar proportion of businesses as we have found in other surveys. Of these businesses 45% were looking for larger premises to expand their business and 25% were planning to relocate because the price of their current premises was too high.
5.8 On the bases of these findings and the analysis of the qualitative interviews we have formulated recommendations on how to support and foster the Creative Industries cluster in Westminster through planning policies. These recommendations are presented in Section 7 of the report.
6. THE CASE FOR INTERVENTION

THE NEED FOR ACTION

6.1 Creative Industries account for 7.3% (£56.9bn) of the UK’s GVA and contributed £13bn to the UK’s balance of trade in 2004. With a growth rate of 5% between 1997 and 2004 the Creative Industries have been growing faster than the overall economy, which experienced growth of 3% in the same time period.

6.2 Westminster is the UK’s (if not the world’s) largest Creative Industries sector. Creative Industries businesses in Westminster contribute significantly to the success of the sector in the UK. They are responsible for around £6bn of GVA and provide employment for approximately 100,000 which amounts to 7% of all Creative Industries employees in the UK.63

6.3 Although in absolute terms Westminster is the local authority contributing the most to the Creative Industries sector in London and the UK the sector experiences significant threats and has not performed as well as in other places:

- Creative Industries employment in Westminster has not grown at the same rate as the rest of the country.
- In relative terms other London boroughs have a higher concentration of Creative Industries employment than Westminster.
- Property prices and rents have risen sharply in the past few years in Westminster as a result of demand from higher value sectors and uses, such as the finance sector and leisure and residential uses. Our research has shown that a significant number of Creative Industries businesses are struggling to compete in the property market in Westminster.
- There are a number of existing and emerging Creative Industries clusters in London outside Westminster which attract existing businesses and have a more affordable offer for start-up businesses.
- There is a risk that the Creative Industries sector in Westminster cannot sufficiently renew itself due to the prohibitive high rents for new/young companies. This lack of new market entries might have a negative effect on the entire sector in Westminster.

63 See Section 3 for more details
6.4 If Westminster City Council wants to keep and strengthen its role as the nation’s (if not the world’s) largest Creative Industries cluster it should seek to improve the necessary conditions for the sector to flourish within Westminster.

RATIONALITY FOR PUBLIC SECTOR INTERVENTION

6.5 From an economic point of view public sector intervention is justified when the market fails to deliver the optimal outcome. The GLA publication “Rationale for Public Sector Intervention in the Economy” (2006) states that:

The public sector should only intervene in the economy when markets are not efficient and when the intervention would improve efficiency. Therefore, the first condition for public sector intervention is evidence that a market failure exists. The second condition is that the intervention will make an improvement.

6.6 Public sector intervention can be justified to achieve higher level policy objectives but a market failure framework should still be used to inform decisions and to ensure the desired outcome is achieved in the most efficient and effective way.

MARKET FAILURE

6.7 Our research has revealed a number of market failures within the Creative Industries which justify public sector intervention:

- The Creative Industries cluster as a whole in Westminster has a positive effect on London’s status as a world city. They provide the cultural and creative amenities and contribute to London’s ‘buzz’ which strengthens it position in the international labour market, has a positive effect on other sectors (e.g. tourism and leisure) and helps to attract inward investment. Creative Industries businesses in Westminster do not get compensation for these positive externalities. As a result not enough of the ‘good Creative Industries Cluster’ is provided by the market which is a classical market failure.

- The fact that Creative Industries are clustered in Westminster allows an individual business to network easily in a formal and informal way. This is (most likely) taken into account in a locational decision and associated costs (e.g. higher rent, commute, higher staff costs) are taken into account when making a business decision to locate in Westminster by an individual company. What the company does not take into
account is that its presence within the Westminster Creative Industries cluster allow other businesses to network more effectively. This again represents a positive externality with the effects described above.

- The organisation of networking events and staff training suffers from free rider effects. Businesses are happy to attend networking events but are seldom willing to bear the full costs (this is one reason why most networking events are organised by some kind of not-for-profit organisation). The same is true for staff training. Companies are very keen on employing well trained staff but often do not invest themselves enough in the professional development of their staff, again a classical free rider effect and therefore a market failure.

- The research has identified a lack of communication and marketing about Westminster’s strong position as a Creative Industries cluster. Effective place marketing would require a certain degree of co-ordination amongst the Creative Industries businesses. Co-ordination problems are a further market failure which justifies public sector intervention. Co-ordination problems are more likely to occur where there are large and heterogeneous groups of potential beneficiaries; unknown shared interests; high initial costs of co-ordination; or, no incentives or mechanisms in place to overcome the free rider problem. These factors very much apply to the place marketing of the Creative Industries cluster in Westminster.

**POLICY OBJECTIVES**

6.8 There is clear national policy (DCMS Creative Industries Mapping Documents, 1998 and 2001, DTI Creative Economy Programme, expected Green Paper on Creative Industries64) in favour of supporting Creative Industries, supported by international and national research.

6.9 On a regional level the Mayor’s Commission on the Creative Industries, the Cultural Strategy specifically aim to support Creative Industries in London. From a town planning point of view the London Plan especially mentions that the Boroughs should “seek competitive development capacity to retain them [the Creative Industries] in London, where they benefit from a world city environment” (London Plan, Policy 3B.9).

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64 For more detail see Section 2
CONCLUSION

6.10 The research presented in this document indicates that there is a need for Westminster City Council to take appropriate measures to retain and strengthen the Creative Industries cluster within the Borough.

6.11 The research also demonstrates that there is an economic and a policy justification from Westminster City Council to take a proactive role in supporting the Creative Industries within the Borough.

6.12 In the remainder of the document key issues identified within the report are summarised and recommendations set out on how to address these. The issues and recommendations are structured as follows:

- General issues and recommendations
- Planning Policy issues and recommendations
- Business Support issues and recommendations
7. KEY ISSUES AND RECOMMENDATIONS

INTRODUCTION

7.1 The findings of the qualitative and quantitative research as well as the literature clearly indicate that the world city status of London is important and has a positive effect on the Creative Industries. Vice versa the Creative Industries provide the cultural and creative amenities and contribute to London’s ‘buzz’ which strengthens its position as a world city.

7.2 Especially relevant for Westminster are:

- **Its role as a leisure centre:** The wide range of the retail and leisure “offer” within Westminster contributes significantly to London’s perception and status as a world city. This retail and leisure offer also provides a positive environment for Creative Industries businesses. The synergies are in many cases quite obvious, for example
  - between the retail offer and top quality hotels and restaurants around Bond Street and the arts and antiques sector
  - the restaurants, pubs and bars and the theatres in the Covent Garden/Strand area
  - the bars, pubs and clubs and the nightlife provision in Soho and the Creative Industries located there
  - the cultural and creative amenities and the high quality labour market

- **The creative feel:** the “edginess” of places that we associate with large cities also provides an attractive environment for Creative Industries. The research has shown that good quality public realm is important for Creative Industries but that they also want to be associated with the “edginess” of an area which provides them with ‘creative street credentials’.

- **The public realm:** The public realm is an important part of the ‘quality of place’ offer to tourists and businesses, helping to attract and retain talent and provide the environment where businesses can bring their clients and staff feel safe.

- **Marketing and inward investment:** In a global economy with quickly changing markets London’s world city status is not secure and continuous city marketing is required to succeed in the international competition between cities.

7.3 Supporting London’s role as a world city will provide the Creative Industries with an environment which has allowed the sector to grow in the past and will support its future.
7.4 We therefore recommend that Westminster City Council should support, in line with the London Plan, and in cooperation with the GLA and the other London Boroughs London's world city status paying special attention to the points mentioned above.

RECOMMENDATION 1:
LONDON AS A CREATIVE INDUSTRIES CLUSTER – JOINT WORKING WITH GLA AND OTHER LONDON BOROUGHS

ISSUE

7.5 Westminster is one of several Creative Industries clusters in London and London as a whole is one large Creative Industries cluster. If Creative Industries are thriving in London this will have a positive effect on Creative Industries in Westminster and vice versa.

7.6 Many of the issues (for example the world city status, city marketing) do not stop at borough boundaries and cooperative working in such areas will bring mutual benefits to all involved. Creative Industries are high on the Mayor’s agenda and Westminster is the predominant borough with regards to Creative Industries. It therefore would do Westminster's position justice if the Council took a proactive approach in the coordination and promotion of Creative Industries across London.

RECOMMENDATION

7.7 It therefore makes sense to work together, exchange and make sure that Creative Industries in London as a whole thrive as this will have a positive effect on the Creative Industries in all the boroughs. We therefore recommend that Westminster City Council considers regular meetings with the GLA (including Creative London) and other London boroughs to coordinate and exchange ideas. This could be staged around a common event hosted by boroughs and the GLA.
RECOMMENDATION 2:
ENGAGING WITH GOVERNMENT

ISSUE
7.8 The Creative Economy Programme has been launched by DCMS and DTI in 2005 and the Government is working on a Green Paper in the Creative Industries which is due to be published in June 2007. The Green Paper will provide a full analysis of the UK’s Creative Industries, the opportunities and threats facing them, an analysis of existing public policy regimes, and an exploration of opportunities for Government to work with the industry, public bodies, and regional and local partners to develop the creative economy.

RECOMMENDATION
7.9 It seems appropriate that Westminster as the local authority with the highest number of creative industries takes a pro-active role in the future of national policy towards Creative Industries. We recommend that Westminster City Council engages with Government on these issues.

RECOMMENDATION 3:
CROSS-BORDER WORKING

ISSUE
7.10 Many of Westminster’s neighbouring boroughs also have a high proportion of Creative Industries employees and as discussed above many issues regarding Creative Industries do not stop at borough boundaries. Due to Westminster’s high property prices some of the Creative Industries activities will inevitably move outside the Borough or firms will not choose to locate within the Borough. This is particularly true for the Creative Originals businesses and start-up, which are often not able to pay high rents due to their business model.

7.11 Cross-boundary working will enable Westminster to ‘manage’ to a certain degree the inevitable loss of some Creative Industries. The aim should be to enable some of the Creative Industries activities which will not be located in Westminster to be located close to the Creative Industries cluster of Westminster resulting in mutual benefits.
RECOMMENDATION

7.12 We therefore recommend that Westminster City Council considers cross-borough-boundary thinking and working. We are aware that there is existing cross-boundary working already going on and we very much endorse these efforts.

7.13 One example of such an approach could be to establish links between Millbank and Vauxhall. Both are areas with great potential for the Creative Industries sector with Millbank being home to Tate Britain and the Chelsea College of Arts and Vauxhall, over the River Thames in Lambeth, an upcoming Creative Industries location but with very different environments and opportunities. One possibility worth exploring could, for example, be how additional space requirements of the Arts College and Tate Britain could be provided in Vauxhall. We understand that Cross River Partnership would be interested in exploring such an approach.

RECOMMENDATION 4:
MILLBANK / VAUXHALL LINKAGES

ISSUE

7.14 Millbank, as discussed above, has some very high profile arts institutions with the Tate Britain and the Chelsea College of Arts and is located close to the Victoria Creative Industries cluster but is not perceived as a creative cluster in its own right.

7.15 We perceive that the potential of Millbank and Vauxhall for Creative Industries in not fully recognised at this stage. We also think that the link between Creative Industries and regeneration might allow securing regeneration funding. We are aware that Westminster is already exploring such possibilities and we very much endorse this.

RECOMMENDATION

7.16 We recommend that Westminster City Council further explore the Creative Industries potential of the area around Tate Britain and the possible synergies between the wider Creative Industries and the arts institutions located in this area; and the possibility of cross borough regeneration projects focussing on the existing Creative Industries in this area and the emerging Creative Industries in Vauxhall.
RECOMMENDATION 5:
GREAT WESTERN STUDIOS

ISSUE

7.17 As the research shows, GWS is unique in Westminster, being one of the few locations that is suitable for creative originals producers in the entire borough. This is largely because of the high rents in the area. Creative originals producers mostly do not operate to economies of scale and generate the profit-levels necessary to justify the market rental costs of Central London. They need flexible workspace, often light-industrial, available at a low stable rate. GWS was set up in 1994/5 by Simon and Nick Kirkham in a previously derelict railway warehouse in Westbourne Park, West London. It provides 40,000 sq ft for 140 self-employed artists and creative businesses, producing one of the largest concentrations of creative activity in London. The cost of studio space varies from £7 to £10 per sqft per annum. However, it is most likely that Great Western Studios will be demolished in the near future, as a result of the Cross Rail Line 1 proposals, potentially causing a mass exodus of creative activity from this part of the City.

7.18 Much recent research has shown the positive externalities that creativity brings to areas. As the work of economists such as Richard Florida has shown, the presence of creative individuals, and a thriving creative scene, helps to build more tolerant, diverse and economically prosperous neighbourhoods. In particular, the existence of creativity and cultural production has been shown to have a correlation with the regeneration and economic development of areas where there are high levels of social exclusion. Whilst Westminster is far from a deprived borough in the centre of London, it does have pockets of social deprivation at the fringes of the borough, particularly in the south and north-west. Therefore, it is vital to ensure that the creative lifeblood embodied in GWS is not allowed to slip away to the outer reaches of London. This is also an issue of recognition, for whilst Westminster clearly has a thriving creative economy at the high level of the commercial value chain, the majority of people perceive the small scale producers of creative originals as the quintessential 'creatives'. This adds a buzz and a street scene to an area, which is a crucial part of the creative vitality of an area.

RECOMMENDATION

7.19 Clearly, the likely demolition of GWS poses a serious threat to the creative originals presence within this part of Westminster. We are aware that Westminster, working with economic development and regeneration agencies such as the Paddington Development Trust are trying to find suitable alternatives to GWS if it is demolished. Our research reiterates the unique importance of the GWS hub, and should there be no suitable solutions within Westminster, we would stress the need to work in partnership with other boroughs and agencies in London to find an alternative incubatory location for small-scale cultural production of the type that occurs in GWS. This way, even if a future GWS replacement was not based in Westminster, its relocation would be near enough to Westminster to ensure that the creative industries in this part of the borough would receive many of the external benefits such a creative hub brings.

RECOMMENDATION 6:
CREATIVE INDUSTRIES START-UPS / AFFORDABLE WORKSPACE

ISSUE

7.20 For the Creative Industries cluster within Westminster to stay at the cutting edge and be truly innovative it is important that the sector can renew itself. There is an existing risk that new, innovative young businesses establish themselves outside Westminster. This is especially true for sectors where there are existing or emerging clusters outside Westminster such as, for example, advertising agencies in East London or the film industry in West London.

7.21 Many of the Creative Industries businesses in Westminster are well established with over two thirds being established for more than five years. Due to the high rents in most of Westminster it is difficult for new and young businesses to establish themselves in Westminster. Only 2% of the Creative Industries businesses interviewed in the telephone survey were established in the past 12 months and 6% were established in the past 2 years.  

67 One of the qualitative interviews was with a young post-production company, which has developed an innovative and very cost effective approach to post-production. Due to the specifics of the post-production market and the existing cluster in Soho the company had to locate in Westminster to have any chance of success. In any other sector the chances would have been very great that this innovative young company would have located outside Westminster due to the high costs of being located in Westminster.

7.22 Property prices and rents are very high in Westminster, especially in the Mayfair, St James, Soho and Covent Garden / Strand areas which represents the main Creative Industries cluster. This is a significant issue for existing Creative Industries businesses (see Figure 19 and Figure 20) as well as for start-ups.

7.23 We perceive the policy to protect light industrial floorspace in the Creative Industries Special Policy Area as not the most effective way to protect the Creative Industries given that only 1% of Creative Industries interviewed actually occupy light industrial (B1c) floorspace.

7.24 An alternative approach might be to provide affordable workspace for Creative Industries through s106 Planning Obligations.

**RECOMMENDATION**

7.25 We recommend that Westminster City Council, together with stakeholders, explore the possibilities of how to enable young Creative Industries businesses to establish themselves within Westminster.

7.26 We recommend a stakeholder forum be established to explore these possibilities (see Creative Industries Forum section below). Possible interventions could include providing affordable workspace and/or business grants for Creative Industries start-ups to help secure premises within the Borough.

7.27 We recommend that Westminster City Council considers the use of s106 Planning Obligations to provide affordable workspace for Creative Industries businesses. This could be applied across the City or focussed on the primary and, possibly also, secondary Creative Industries clusters within Westminster.

7.28 Such an approach has been successfully implemented by Camden Borough Council to support the jewellery industry in Hatton Garden. We recommend that Westminster City Council engages in a direct dialog with Camden and the LDA and the officers involved in the policy and its implementation.

7.29 The provision of affordable workspace would allow those Creative Industries businesses which are forced by property prices to move out of Westminster and Creative Industries start-ups to remain / establish themselves in Westminster. The provision of affordable workspace for Creative Industries is justified because:

- The clustering of Creative Industries businesses in Westminster presents a positive externality to the Creative Industries cluster as a whole and the wider economy. This
positive externality does not reflect itself in the business decision of an individual Creative Industries company as it does not provide the individual company itself with a benefit (see paragraphs 6.7).

- We perceive it as important for the Creative Industries cluster in Westminster to be able to renew itself and to have an appropriate amount of new businesses entering the market.

- There are a number of existing and emerging Creative Industries clusters within London and across the country competing for the location of Creative Industries with much lower property prices. If Westminster wants to compete with these locations it needs to provide workspace below market rents to at least these Creative Industries businesses which are most effected by the high rents within the City (e.g. start-ups, Creative Originals).

RECOMMENDATION 7:
CREATIVE INDUSTRIES SPECIAL POLICY AREA

ISSUE – RETENTION OF LIGHT INDUSTRIAL FLOORSPACE

7.30 As shown in Table 8 only a very few Creative Industries businesses occupy light industrial or workshop premises. The majority of Creative Industries businesses do not operate in a fashion that requires light industrial floorspace and operate out of general office or retail premises.

7.31 To protect the Creative Industries within the City, Westminster’s current UDP does not allow change of use of light industrial floorspace within the Creative Industries special Policy area and/or where “this would result in the loss of industrial activities which contribute to the character and function of the area”.

7.32 Most creative industries these days do not require light industrial floorspace. The products and services they offer are not produced in a way that which could be described as an 

*industrial process [...] which can be carried out in any residential area without detriment to the amenity of that area by reason of noise, vibration, smell, fumes, smoke, soot, ash, dust or grit*

7.33 for which The Town and Country Planning (Use Classes) Order 1987 foresees Use Class B1c (light industrial). As discussed above most Creative Industries Businesses operate out of offices and retail premises and we therefore question the effectiveness of protecting light
industrial floorspace as a way of supporting Creative Industries businesses and the Creative Industries cluster within Westminster.

RECOMMENDATION

7.34 We therefore recommend that UDP Policy COM 8 on retention of light industrial floorspace in the Creative Industries Special Policy Area should be reconsidered.

7.35 The research in this report has only focussed on Creative Industries as defined by the DCMS (see Appendix A) and we are not in a position to make any estimates on demand for light industrial floorspace from any other sectors.

ISSUE – GEOGRAPHICAL AREA

7.36 The research has shown that the area identified in Westminster’s UDP as the Creative Industries Special Policy Area corresponds with the main Creative Industries cluster within the Borough. However, 78% of the Creative Industries businesses in Westminster and 57% of Creative Industries employees are located outside the Special Policy Area in a series of secondary clusters/hubs.

7.37 The research has shown that the Creative Industries are spread across the entire Borough forming – to a certain degree – sub-sector specific secondary clusters as shown in Figure 9.

7.38 Many areas within the Borough which have a significant number of Creative Industries businesses are not currently covered by the Special Policy Area designation. They represent existing and emerging secondary Creative Industries clusters (especially to the west of the Borough) which contribute significantly to Westminster’s and London’s Creative Industries sectors.

RECOMMENDATION

7.39 We recommend considering two options for taking the Creative Industries Special Policy Area within Westminster forward in the LDF process:

1. Redefine the Creative Industries Special Policy Area including the secondary clusters shown in Figure 9. This would allow enable targeting specific policies (for example, S106 requirements, office unit size) to specific areas in which there are already a significant number Creative Industries and would thus strengthen these clusters.
2. Disposing of the Creative Industries Special Policy Area and replacing it with a Borough-wide approach would provide more flexibility but would not reflect the particular characteristics of the individual clusters/hubs.

RECOMMENDATION 8:

SMALL BUSINESS SPACE

ISSUE

7.40 Creative Industries businesses in Westminster tend to be smaller than businesses in other sectors. Of the Creative Industries businesses in Westminster 90% have ten or less employees and 80% have one to four employees compared to 84% and 69% of all businesses as shown Table 9.

Table 9 – Size of Creative Industries Businesses

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Creative Industries</th>
<th>All Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 4</td>
<td>79.7%</td>
<td>69.1%</td>
</tr>
<tr>
<td>5-10</td>
<td>10.2%</td>
<td>14.4%</td>
</tr>
<tr>
<td>11 - 49</td>
<td>7.2%</td>
<td>14.4%</td>
</tr>
<tr>
<td>50 - 199</td>
<td>2.3%</td>
<td>3.0%</td>
</tr>
<tr>
<td>200 +</td>
<td>0.6%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

Source: ABI

7.41 Of the Creative Industries businesses interviewed 55% occupy less than 1,000 sq ft (90 sq m) of business space and 81% occupy less than 3,000 sq ft (280 sq m) as shown in Table 10.

Table 10 – Occupied Floorspace

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Services</th>
<th>Content</th>
<th>Originals</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 1,000 Square Foot (SQ.FT) or 0 - 90 SQ. Meters (SQ.M)</td>
<td>55.0%</td>
<td>49.6%</td>
<td>61.2%</td>
<td>56.5%</td>
<td>51.4%</td>
</tr>
<tr>
<td>1,000 - 3,000 SQ.FT or 91 - 280 SQ.M</td>
<td>26.3%</td>
<td>29.1%</td>
<td>24.0%</td>
<td>28.7%</td>
<td>21.4%</td>
</tr>
<tr>
<td>3,001 - 5000 SQ.FT. or 281 - 460 SQ.M</td>
<td>6.0%</td>
<td>6.3%</td>
<td>5.0%</td>
<td>2.6%</td>
<td>12.9%</td>
</tr>
<tr>
<td>5,001 - 10,000 SQ.FT or 461 - 930 SQ.M</td>
<td>3.2%</td>
<td>3.9%</td>
<td>3.3%</td>
<td>2.6%</td>
<td>2.9%</td>
</tr>
<tr>
<td>10,001 - 20,000 SQ.FT or 931 - 1860 SQ.M</td>
<td>5.5%</td>
<td>7.1%</td>
<td>4.1%</td>
<td>7.0%</td>
<td>2.9%</td>
</tr>
<tr>
<td>OVER 20,001 SQ.FT or 1861 SQ.M</td>
<td>3.9%</td>
<td>3.9%</td>
<td>2.5%</td>
<td>2.6%</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

7.42 A sufficient amount of small business premises will help Creative Industries businesses to locate within Westminster. The provision of small units might also be one of the ways that start-up businesses could be supported. This is especially important as Creative Industries businesses within Westminster are to a large degree well established businesses and renewal within the sector is perceived to be important for the Creative Industries Cluster to flourish.

RECOMMENDATION

7.43 We therefore recommend that Westminster continues to protect existing small offices/business units and continues to require an appropriate amount of small office/business units in new/re-developed commercial premises through the planning process (see UDP policy COM 4).

RECOMMENDATION 9: PUBLIC REALM

ISSUE

7.44 Crime and security is the issue mentioned the most often by Creative Businesses in Westminster when asked about constraints that affect their businesses. Poor quality environment has been identified by 19% of the interviewed Creative Businesses as a constraint affecting their business. Perceptions about crime and safety and the quality of the environment are closely linked to the quality of the public realm.

7.45 A safe and good quality environment is important for any business to operate in. This is especially true for businesses attracting large amounts of clients and visitors to their premises such as Creative Experience businesses (theatres, music venues etc) and Creative Services businesses.

7.46 There is already a well established relationship between the theatre industry and Westminster City Council with regards to safety and public realm improvements.

RECOMMENDATION

7.47 We, therefore, recommend that Westminster City Council continues to improve the quality of public realm within the City, includes appropriate policies within their LDF to this effect and continues to seek contributions to the funding of public realm improvements through s106 Planning Obligations with developers and landowners.
7.48 Public realm improvements, especially in the primary Creative Industries cluster of the West and East Marylebone/Fitzrovia, should consider their effect on the ‘creative feel’ of the area. We recommend that priority should be given to designing a safe public realm without creating a ‘sterile’ and ‘cold’ public realm that lacks the ‘creative feel’ many Creative Industries businesses are looking for.

RECOMMENDATION 10: PROTECTION OF MUSIC VENUES

ISSUE

7.49 The importance of the live music scene has been emphasised by the establishment of a Live Music Forum by the Department of Culture Media and Sport following the enactment of the Licensing Act 2003. The then Arts Minister, Estelle Morris MP, launched the Forum in 2004 to promote the performance of live music. In launching the Forum Ms. Morris stated:

A vibrant live music scene is a vital element of our cultural life. It gives grass roots musicians the opportunity to do what they love to do and gives us the opportunity to enjoy live performances while fostering future talent.\(^69\)

7.50 The establishment of the Live Music Forum demonstrates the increasing importance that the government places on live music. The loss of a live music venue would, therefore, be contrary to the spirit of the government’s objectives to promote the performance of live music.

7.51 Policy 3D.4 in the London Plan says that borough planning policies should identify, protect and enhance London’s “strategic cultural areas and their settings […] and] where appropriate, support evening and night time entertainment activities in central London […]”

7.52 Westminster has lost some music venues in the past and each loss reflects an irreversible loss of a piece of (music) history and culture.

7.53 Although live music venues only represent a small part of the Creative Industries sector they contribute to the ‘creative buzz’ of Westminster and are an important part of its offer as a world city to local residents and visitors alike. The protection of all types of live music venues – from classical to opera to rock and pop music - not only allows a Creative

\(^69\) IN PARLIAMENT, HOUSE OF COMMONS, SESSION 2005-2006, CROSSRAIL BILL, PETITION, Against the Bill
Industries sub-sector to continue to exist within Westminster but also indirectly contributes to the Creative Industries cluster.

**RECOMMENDATION**

7.54 We therefore recommend protecting existing music venues through the planning process by, for example, having an explicit policy in the LDF. This is especially true for those music venues that are not listed buildings and would not, therefore, have protection from redevelopment due to their listed building status.

**RECOMMENDATION 11:**

**APPROPRIATE MIX OF USES**

**ISSUE**

7.55 As discussed in paragraph 7.2 there are significant synergies between the Creative Industries and the food and leisure industry in Westminster. In the telephone survey 61% of Creative Industries businesses interviewed said that being located close to bars, pubs, cafés and restaurants is important to them. On the other hand the leisure industry puts pressure on land values and rents and can cause amenity and disturbance to other uses, including residential. It is, therefore, important to keep an appropriate mix of uses within the City.

7.56 Leaving the land use and type of occupier entirely to the market is most likely to result in an absolute predominance of one land use. This has happened in many areas and the City and lower Manhattan are two examples where relatively large areas are dominated by mono-sectors which can afford the highest property rents. This might be an economically efficient land use distribution in the short run but will create negative externalities (e.g. desolated areas at after office hours, risk of dependency on one sector etc) in the long term.

**RECOMMENDATION**

7.57 We recommend that Westminster City Council continues to provide for an appropriate mix of uses through the LDF process.

7.58 As land use policies generally have no influence on the type of occupiers – as long as they are conform with the land use – we also recommend that Westminster City Council seeks an active dialogue with key land and property owners within the Borough to discuss how the
Creative Industries might be supported and how an appropriate mix of occupiers can be maintained and supported within the Borough through wider than just planning powers.

**RECOMMENDATION 12: CREATIVE INDUSTRIES FORUM**

**ISSUE**

7.59 As the report demonstrates, there is a lack of communication between Westminster City Council and the Creative Industries. This presents a fundamental challenge to successful land use and economic planning by the Council to ensure the future success of Westminster’s creative businesses. Whilst many of the interviewees asserted the need for a single point of contact at the Council to deal with their business queries (which range from advice in finding accommodation, to planning questions about renovations and development), it is felt that the sheer number of creative businesses within Westminster makes such an approach impractical. However, there is clearly a real need for closer partnership between the Creative Industries and the Council.

7.60 The Creative Industries are vital to Westminster’s economic, cultural and social development. Therefore, providing a forum for the Council to learn about the issues facing the sector is necessary if the Council are to make relevant policy decisions for a fast-changing, and sometimes vulnerable sector of the economy.

**RECOMMENDATION**

7.61 We recommend that Westminster City Council establishes a Creative Industries Forum, which would meet on a regular basis to discuss the issues facing creative businesses and to discuss solutions with the Council. On the Council’s side, this forum should include senior representatives of the planning and economic development departments. On the Creative Industries side, we recommend a cross-section of sub-sector representatives from the following groups:

- Creative industry trade associations
- Key creative businesses in the Borough
- Skills councils
- Economic development and regeneration agencies

7.62 Appendix D provides details of the relevant key trade associations and sector bodies.
This study has identified that in the area of Creative Originals, there is a definite lack of sector-wide representation. Whilst this is in some ways inevitable in such a diverse grouping of sectors (jewellery, craft, fine artists, bespoke tailors, designer-makers and so forth), it is also clear that this is the sub-sector that is most at risk of being pushed out of Westminster altogether due to both the Cross Rail Line 1 threat to GWS, and increasing rents across large parts of the City. Those working in this sub-sector grouping are often self-employed, and work in a freelance, precarious manner. Yet, research has shown the effect that creative individuals can have on neglected, socially excluded neighbourhoods. Therefore, such a forum would provide a means for creatives in this group to better represent themselves in the policy process.

**RECOMMENDATION 13:**
**DEVELOPING CORE SKILLS OF EXISTING CREATIVE INDUSTRY BUSINESSES**

**ISSUE**

The research has identified a lack of commercial awareness and core business skills among some of the Creative Industries employees and business owners. Some of these skills shortcomings are of a very general and fairly basic level including book-keeping, VAT and taxes; some include more complex general business knowledge such as how to float their companies, and how to attract private investment; and some are very Creative Industries specific such as issues regarding intellectual property.

Despite this shortcomings identified and acknowledged by some of the interviewees only a small percentage (7%) of the Creative Industries businesses interviewed had been in contact with a business support agency within the last 12 months. If this is due to the perceived quality/relevance of the offer provided by existing business support services or to the lack of knowledge about the services offered we do not know. In any case the sector would profit if its employees and business owners would further develop their core business skills and commercial awareness.

**RECOMMENDATION**

We recommend that Westminster Council in co-operation with existing business support service organisations targets specifically the Creative Industries sector. This could include:

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- Promoting existing services specifically to Creative Industries
- Developing specific programmes / modules relevant to Creative Industries
- Combining networking possibilities with business skills training through offering courses / events especially to Creative Industries businesses

RECOMMENDATION 14:
SECTOR SKILLS COUNCIL, SCHOOLS, COLLEGES AND THE CREATIVE INDUSTRIES

ISSUE

7.67 It is now well-established that there is a pressing skills need facing the UK. This is increasingly an issue about the UK’s global competitiveness in the face of growing competition from developing economies such as China and India, who are now seeking to move beyond manufacturing to compete in knowledge-intensive areas of the economy. This skills challenge effects the creative industries in particular, where under the pressure of constant technological change, there is a constant need for individuals to update knowledge and skills. As our research shows, leading creative businesses in Westminster do not suffer great difficulties finding talented and motivated individuals who want to work for them. Indeed, the creative industries are amongst the most over-subscribed areas of the economy. However, whilst they can find individuals with the ideas and talent to work for them, often they find that there is a lack of commercial awareness of the specific needs and challenges of creative businesses.

7.68 This would enable Westminster City Council to be involved in directly tackling one of the key issues facing the Creative Industries in the borough, which is especially crucial as Westminster is a global hub for cultural production.

RECOMMENDATION

7.69 This challenge of a lack of connection between educational provision and the needs of the Creative Industries is being met by the Sector Skills Councils, through a variety of research initiatives and training programmes. In particular, DFES has tasked Creative and Cultural Skills, the Sector Skills Council for advertising, crafts, cultural heritage, design, music, performing, literary and visual arts, in partnership with the other Sector Skills Councils to

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develop a new Creative and Media specialised diploma. From 2008, young people will have the option of taking this diploma, which is being developed with the Creative Industries needs in mind.

7.70 There is a clear opportunity for Westminster to take the initiative in this area and become a pilot study area for this new diploma. The unique density of creative businesses in the borough would make it an ideal partner to work with DFES and the Sector Skills Councils to deliver this crucial policy initiative.

**RECOMMENDATION 15:**

**FURTHER AND HIGHER EDUCATION GRADUATES – PRACTICAL SKILLS AND EXPECTATIONS**

**ISSUE**

7.71 Another clear skills issue emerged from the research to do with the skills base of graduates exiting higher and further education and entering Creative Industries. Other research has stressed the need for higher education to prepare graduates who are drawn to the Creative Industries for the realities of such work, and for the skills needed to be self-motivated, enterprising and be able to manage complex working portfolios. Yet many graduates exit higher and further education poorly prepared for careers in the Creative Industries. Our research suggests that some graduates have inappropriate expectations of what is involved in Creative Industries work. This is, of course, an entrenched problem which relates to the perceived ‘glamour’ of Creative Industries labour. As a number of researchers have pointed out, however, often the reality of the Creative Industries labour markets is far removed from this media-fuelled cultural perception. In particular, a common complaint was that many individuals were graduating from practical media and arts courses with overly high expectations of what an entry-level job can involve. For example, in post-production, one interviewee told us that he gets a huge number of CVs sent to him all the time, but often he finds it hard to find graduates with the right attitude and commercial approach to the work. He found that many media studies graduates would often come in expecting to be editing content straight away, when in fact he needs them to

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72 For more information on the background to this policy, see DFES (2005) Education and Skills White Paper. London: HMSO.


74 “Destinations and Reflections: Careers of British Art, Craft & Design Graduates”. Blackwell & Harvey, 1999

be good at dealing with clients, and to have good people skills. Indeed, creative apprenticeships can be frustrating, poorly paid, and in environments such as post-production might involve more menial tasks such as making coffee for clients. Moreover, often the ‘glamour’ of the creative industries detracts from the fact that these are commercial businesses which need to survive and thrive in an increasingly competitive and fast-changing global market. Many of the interviewees talked about the lack of commercial awareness of business realities from new graduates.

7.72 Creative industries are technologically fast-changing, highly competitive areas of the economy, which have knowledge intensive skills demands, and which suffer from skills shortages, particularly in the area of commercial understanding. There is a growing awareness that the UK's Creative Industries need to become far more commercially focussed, if they are to prosper in an increasingly competitive global marketplace. Higher and Further education establishments act as seedbeds for creative talent. As MP James Parnell recently stated:

*One of the key factors behind the success of the sector is the role played by our educational institutions in developing a constant supply of creative and innovative graduates who form the backbone of the sector and help consistently to re-invent it.*

7.73 However, our research echoes other research done in this area, which shows that graduates are often poorly equipped with the necessary skills and knowledge of specific sectors when they enter the creative industries. Therefore, Westminster has a key role to play in helping to address this skills gap in order to maintain the borough’s position as a global centre of excellence for cultural production.

**RECOMMENDATION**

7.74 This research shows that there is a clear need for greater links between creative industries and higher and further education establishments. This would function to deepen understanding amongst graduates hoping to enter creative industry labour markets of the commercial and day-to-day realities of cultural production. As Westminster is clearly the hub for cultural production in the UK (as well as being a global centre), it would make good sense for Westminster to facilitate greater links between the creative industries and the higher and further education institutions within London. The University of Arts, for example, have a professional personal development strategy which is part of the curriculum across

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all courses, which allows the student to identify skills and knowledge gaps in a structured way. They also have close links between the creative courses that they run, and the sectors that their graduates are hoping to enter. Such an approach could be taken as best practice and Westminster could play a role in opening this process up through the creation of the Creative Industries Forum.

RECOMMENDATION 16:
MAINTAINING A RELIABLE POWER SUPPLY IN THE CITY

ISSUE
7.75 As the research showed, over 80% of creative services businesses saw having a reliable power supply as a key issue facing them going forward to the future. It may sound obvious, but this is absolutely vital to any business in the borough, yet increasingly there are signs that power supply is becoming less reliable. There are clear environmental issues here. As was seen in the US in recent years, very hot summers have caused power grids to become overloaded with demand, leading to economically disastrous power outages. Indeed, according to the World Meteorological Association, all the years since the beginning of the new century, including 2006, rank among the 10 warmest years on record.78 Hot weather results in a severe drain on local power supplies due to increased demand, mainly by cooling systems, and this trend is likely to be made worse as global warming pushes up average temperatures and makes extreme heat-waves a far more common experience.

7.76 Without a reliable power supply, Westminster’s creative industries will be severely effected by loss of business and productivity. In the long term, this could have major economic consequences for the borough. Therefore, it is vital to begin addressing this problem now, through future scenario planning between Westminster City Council, neighbouring boroughs, the Mayor, the utilities companies and the businesses most likely to be affected by power outages.

RECOMMENDATION
7.77 There is a clear need for Westminster to talk to the utilities companies to assess the long-term implications of global warming on power reliability, and to consider the implications for future planning policies. There is also a clear need for businesses to think more carefully

about their power needs and the implications of a more unreliable power supply in the coming years. Business continuity planners will need to assess current power protection and generation methods and consider increasing capacity and longevity. The type of power generation plant used may also need to be considered, with increasing oil prices making fuel more expensive for conventional generators. In the long term, some input from solar-powered generators or combined heat and power plants is likely to be a good investment. Westminster will need to consider its role in ensuring a reliable power supply for both businesses and residents in the borough.

RECOMMENDATION 17:
MARKETING AND INWARD INVESTMENT

ISSUE

7.78 There is a perception amongst some of the Creative Industries companies that Westminster is poorly marketed as a prime (if not the prime) Creative Industries cluster. They feel that they are representing Westminster’s Creative Industries cluster without much support from the Council or any other ‘city marketing’ or inward investment organisation.

7.79 Many UK cities and towns as well as international cities market themselves as Creative Industries clusters and try to attract inward investment into the Creative Industries sector. The Creative Industries sector is a favoured sector to target as it has been growing and is predicted to grow further above the average of the rest of the economy.

7.80 Westminster’s Creative Industries businesses have not been growing as quickly as the sector in London and the UK. This does not necessarily mean that this is a direct result of the poor marketing of Westminster but is more likely due to the fact that Westminster’s Creative Industries sector has been very large for some time and other places have caught up to a certain degree. To stay at the top of the league more needs to be done to attract Creative Industries businesses.

RECOMMENDATION

7.81 We recommend that Westminster City Council takes a more proactive approach to ‘city marketing’ and attracting inward investment. The making should make best use of Westminster’s current strength one of which most definitely is its position as the most important Creative Industries cluster in the UK if not the world.
7.82 For this Westminster City Council should proactively seek the cooperation with existing inward investment organisations for London and the UK such as, for example, London First, Think London, LDA and UK Trade & Investment. The Council should work with these organisations to ensure that Westminster’s Creative Industries cluster is marketed appropriately across the UK and the world.

RECOMMENDATION 18:
BUSINESS GRANTS FOR RENT SECURITY

ISSUE

7.83 As discussed previously it is relatively difficult for young / start-up companies to establish themselves in Westminster due to the high rental levels and competition from other uses. However, there are (still) relatively affordable rents available in Westminster (even in central Westminster) but for start-up businesses providing the necessary securities (several years of approved accounts or deposits) is often a problem.

7.84 As previously discussed we believe that having a sufficient amount of Creative Industries start-ups is important for the sector as a whole and the position of Westminster’s Creative Industries cluster within the UK and the world. Providing businesses grants to start-ups to allow them to set up in Westminster is one possible way of supporting the sector and the cluster as a whole.

RECOMMENDATIONS

7.85 Westminster City Council should consider offering Creative Industries start-ups business grants or other securities for their rents within the Borough. These grants should be targeted at specific preferred sectors or sub-sectors to ensure that they provide the desired outcome, which is in the case of the Creative Industries to secure a continues renewal of this important sector within the Borough.
APPENDICES

A – CREATIVE INDUSTRIES SUB-SECTOR GROUPINGS AND SIC CODES

B – BUSINESS TELEPHONE SURVEY RESULTS

C – MAPS OF GEOGRAPHICAL DISTRIBUTION OF SUB-SECTORS

D – CREATIVE INDUSTRIES TRADE ASSOCIATIONS
## A – CREATIVE INDUSTRIES SUB-SECTOR GROUPINGS AND SIC CODES

<table>
<thead>
<tr>
<th>Policy-Maker-Friendly Groupings</th>
<th>Creative Industry Sub-Sector</th>
<th>SIC</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creative Services</td>
<td>Architecture</td>
<td>7420</td>
<td>Architectural and engineering activities and related technical consultancy</td>
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<tr>
<td></td>
<td>Advertising</td>
<td>7440</td>
<td>Advertising</td>
</tr>
<tr>
<td>Creative Content</td>
<td>Radio and TV</td>
<td>9220</td>
<td>Radio and television activities</td>
</tr>
<tr>
<td></td>
<td>Publishing (print)</td>
<td>2211</td>
<td>Publishing of books</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2212</td>
<td>Publishing of newspapers</td>
</tr>
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<td></td>
<td></td>
<td>2213</td>
<td>Publishing of journals and periodicals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2215</td>
<td>Other publishing</td>
</tr>
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<td>2240</td>
<td>Other business activities not elsewhere classified</td>
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<tr>
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<td>Video, Film and Photography</td>
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<td>Reproduction of video recording</td>
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<td></td>
<td></td>
<td>7481</td>
<td>Photographic activities</td>
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<td></td>
<td></td>
<td>9211</td>
<td>Motion picture and video production</td>
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<td></td>
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<td>Motion picture and video distribution</td>
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<td>Software, Computer Games and Electronic Publishing (SCEP)</td>
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<td>Manufacture of knitted and crocheted hosiery</td>
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<td>1772</td>
<td>Manufacture of knitted and crocheted pullovers, cardigans and similar articles</td>
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<td></td>
<td></td>
<td>1810</td>
<td>Manufacture of leather clothes</td>
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<td>1821</td>
<td>Manufacture of workwear</td>
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<td>1822</td>
<td>Manufacture of outerwear</td>
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<tr>
<td></td>
<td></td>
<td>1823</td>
<td>Manufacture of underwear</td>
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<td></td>
<td></td>
<td>1824</td>
<td>Manufacture of other wearing apparel and accessories not elsewhere classified</td>
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<td></td>
<td></td>
<td>1830</td>
<td>Dressing and dyeing of fur; manufacture of articles of fur</td>
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<td></td>
<td></td>
<td>1930</td>
<td>Manufacture of footwear</td>
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<td>Art and Antiques</td>
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<td>5250</td>
<td>Retail sale of second-hand goods in stores</td>
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<td>SIC</td>
<td>Description</td>
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<td>Creative Experience</td>
<td>Music and the Visual and Performing Arts (MVPA)</td>
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<td>Publishing of sound recordings</td>
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<td>2231</td>
<td>Reproduction of sound recording</td>
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<td></td>
<td></td>
<td>9231</td>
<td>Artistic and literary creation and interpretation</td>
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<td>9232</td>
<td>Operation of arts facilities</td>
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<td>Other recreational activities not elsewhere classified</td>
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</table>
B – BUSINESS TELEPHONE SURVEY RESULTS
C – MAPS OF GEOGRAPHICAL DISTRIBUTION OF SUB-SECTORS
## D – CREATIVE INDUSTRIES KEY TRADE ASSOCIATIONS

<table>
<thead>
<tr>
<th>Trade association</th>
<th>Web address</th>
<th>Who they represent</th>
<th>Geography</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Creative Services</strong></td>
<td></td>
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<tr>
<td>Institute of Practitioners in Advertising</td>
<td><a href="http://www.ipa.co.uk">www.ipa.co.uk</a></td>
<td>Advertising practitioners</td>
<td>National</td>
</tr>
<tr>
<td>Association of Consultant Architects</td>
<td><a href="http://www.acarchitects.co.uk">http://www.acarchitects.co.uk</a></td>
<td>Architects in private practice</td>
<td>National</td>
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<tr>
<td>UK Post</td>
<td><a href="http://www.ukpost.org.uk/">http://www.ukpost.org.uk/</a></td>
<td>The film and broadcast service industry</td>
<td>National</td>
</tr>
<tr>
<td>Design Business Association</td>
<td><a href="http://www.dba.org.uk">www.dba.org.uk</a></td>
<td>Design businesses supplying services in all disciplines around the world</td>
<td>National</td>
</tr>
<tr>
<td><strong>Creative Content</strong></td>
<td></td>
<td></td>
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<tr>
<td>British Phonographic Association</td>
<td><a href="http://www.bpi.co.uk">www.bpi.co.uk</a></td>
<td>British record companies</td>
<td>National</td>
</tr>
<tr>
<td>PACT</td>
<td><a href="http://www.pact.co.uk">www.pact.co.uk</a></td>
<td>Independent feature film, television, animation and interactive media companies</td>
<td>National</td>
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<tr>
<td><strong>Creative Experiences</strong></td>
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<tr>
<td>Society of London Theatres</td>
<td><a href="http://www.solt.co.uk/">http://www.solt.co.uk/</a></td>
<td>Producers, theatre owners and managers of the major commercial and grant-aided theatres in central London</td>
<td>London</td>
</tr>
<tr>
<td>Association of British Orchestrers</td>
<td><a href="http://www.abo.org.uk">www.abo.org.uk</a></td>
<td>Professional orchestras throughout the UK</td>
<td>National</td>
</tr>
<tr>
<td>British Music Rights</td>
<td><a href="http://www.bmr.org/">http://www.bmr.org/</a></td>
<td>Voice for composers, songwriters, music publishers and UK collecting societies</td>
<td>National</td>
</tr>
<tr>
<td><strong>Creative Originals</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fine Art Trade Guild</td>
<td><a href="http://www.fineart.co.uk">www.fineart.co.uk</a></td>
<td>Art and framing industry</td>
<td>National</td>
</tr>
<tr>
<td>British Antique Dealers</td>
<td><a href="http://www.bada.org">www.bada.org</a></td>
<td>For antique dealers</td>
<td>National</td>
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</tbody>
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