Regeneration Scrutiny and Performance Panel **Agenda Item No. 8**

16th October, 2012

Growing the creative industries in Walsall

Ward(s) All

Portfolios: Cllr A Andrew - Regeneration

Executive Summary:

Previous reports to the panel looking at this topic have presented feedback from focus groups with creative industries based in Walsall. This paper attempts to map the sector in Walsall, presents some case studies of Walsall-based creative businesses and analyses the demands of creative and digital industries that have contacted Walsall Council's Regeneration Services in the past six months.

Reason for scrutiny:

The Creative and Digital Industries sector is a significant employer in the UK and contributes a similar proportion of National GDP to the manufacturing sector, with strong growth potential being predicted.

It is recognised that areas such as Bristol, Manchester and Birmingham have established a vibrant and growing creative and digital industries sector. The Regeneration and Scrutiny Panel has expressed a wish to explore how Walsall may exploit the opportunities created through this sector for our economy.

It is also understood that the sector can support the place-making and cultural offer of areas where it is established, such as town centres, which in turn attracts both visitors and employers.

Recommendations:

That a final report be presented to the Panel suggesting options of how Walsall Council could help grow the creative and digital industries that could inform recommendations to Cabinet based on the findings in this and previous reports.

Background papers:

John Howkins (2007)*The Creative Economy: How People Make Money From Ideas*
Department of Culture, Media and Sport (2011) *The Creative Industries Economic Assessment*
Department of Culture, Media and Sport (2008) *Creative Britain – New Talents for a New Economy*
Office of National Statistics (2010) *UK Business – Activity , Size and Location*

NESTA (2008) *Beyond Creative Industries*
Walsall Local Economic Assessment (2011)
Black Country Local Economic Assessment (2011)

Resource and legal considerations:

Resource and legal considerations will be presented in an options appraisal if agreed by the panel. The report authors will prepare the reports in the recommendation as part of their existing work programmes.

Citizen impact:

There are considerable benefits for citizens from growing the creative and digital industries in Walsall, most notably around employment opportunities in areas that are matched more closely with the aspirations of young people, the potential for the sector to attract investment in leisure and retail activity, and new community-led development activity funded by Arts Lottery and Heritage Lottery.

Environmental impact:

Any environmental impact of general support for the creative and digital industries is likely to be negligible. There may be instances of where specific support for one-off events or festivals will generate noise or car parking issues for example, but these would be managed via existing procedures such as licensing.

Performance management:

Supporting the creative and digital sector has the potential to improve outcomes in Council priority areas by assisting economic growth, engaging people through arts and culture to improve health and well-being and improve community cohesion.

Together with the ability to link to existing key employment sectors as creative industries support growth by playing an important role within these sectors.

Equality Implications:

No impact assessment has been prepared in association with this report.

Consultation:

Forest Arts Centre
New Art Gallery
The University of Wolverhampton – Performance Hub
Anthony Hughes – Vuoo Digital Solutions
Strategic Regeneration, Walsall Council
Development & Delivery, Walsall Council

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1. Report

1 Mapping the creative sector in Walsall

1.1 It is notoriously difficult to define businesses in the creative sector. Since the *Creative Britain* report published by DCLG in 2008, there has been broad agreement over which activities (called Standard Industry Classification or SIC codes) make up the sector (usually combined with digital activities to create the “creative and digital industries”). More recent publications by DCLG have excluded research and development from the typology, which has reduced the size of the sector considerably.

1.2 Although each registered business classifies itself under a SIC code when submitting accounts, there is no database of all companies and their SIC codes. Aggregate groups of SIC codes exist at regional level, but there is no group that coincides with the creative and digital sector. Instead there is a cultural, entertainment and leisure sector. There are 650 businesses in Walsall that fall into this category, slightly lower than the UK average per person.

1.3 Data for businesses which aren't registered as limited companies is unavailable. Given the activity of the sector, there is likely to be a large number of self-employed people, freelancers and sole-traders in Walsall that do not appear in business demography data.

1.4 According to Walsall Council's own database of its businesses, there are 314 businesses in the sector. These numbers would have been collected by individual officers inputting businesses as they become aware of them, rather than a definitive list of businesses. This compares to 132 in the financial services sector, for example.

1.5 Of those 314, the largest proportion is in design, which is typical of the sector as a whole. There are also high numbers in the music, visual & performing arts category and the video, film & photography category. The more knowledge and resource-intensive software & electronic publishing category is considerably smaller than the West Midlands spread.

1.6 Data on craft businesses is unavailable at regional level due to the size of the businesses (usually sole traders).

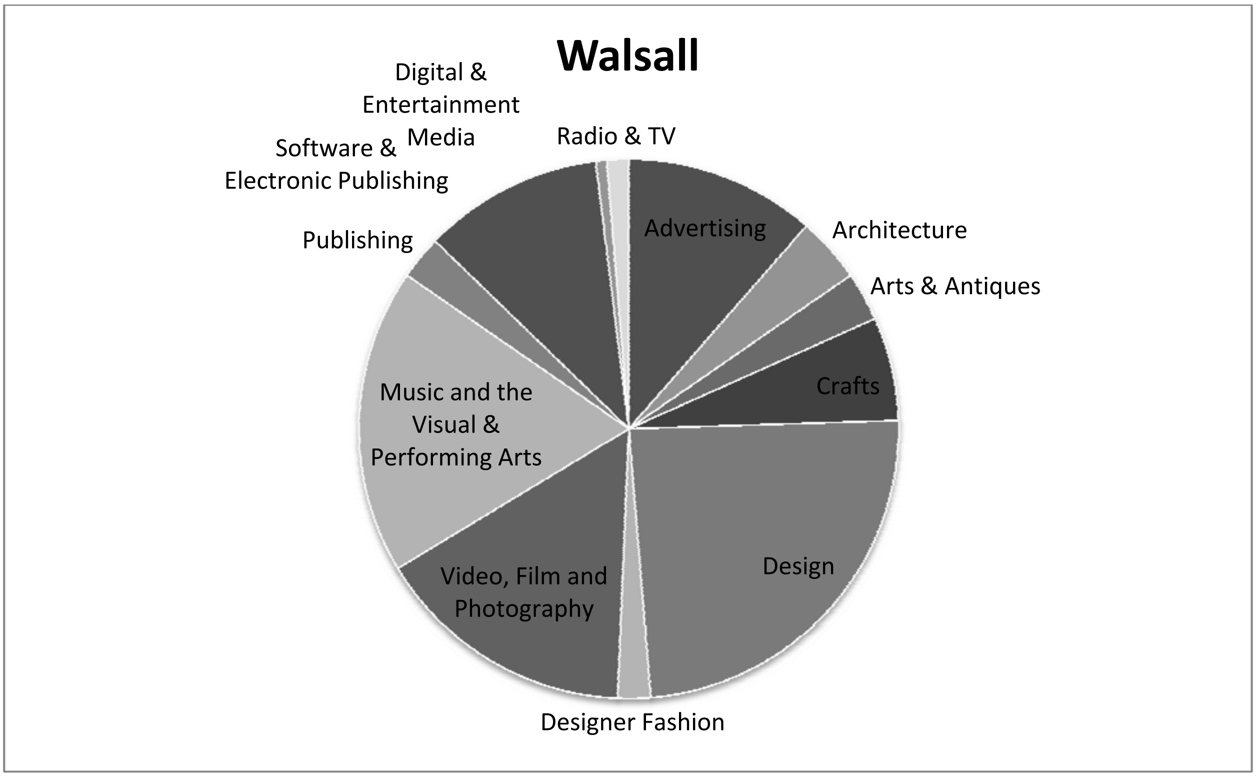


Figure 1 - Spread of Creative and digital industries in Walsall

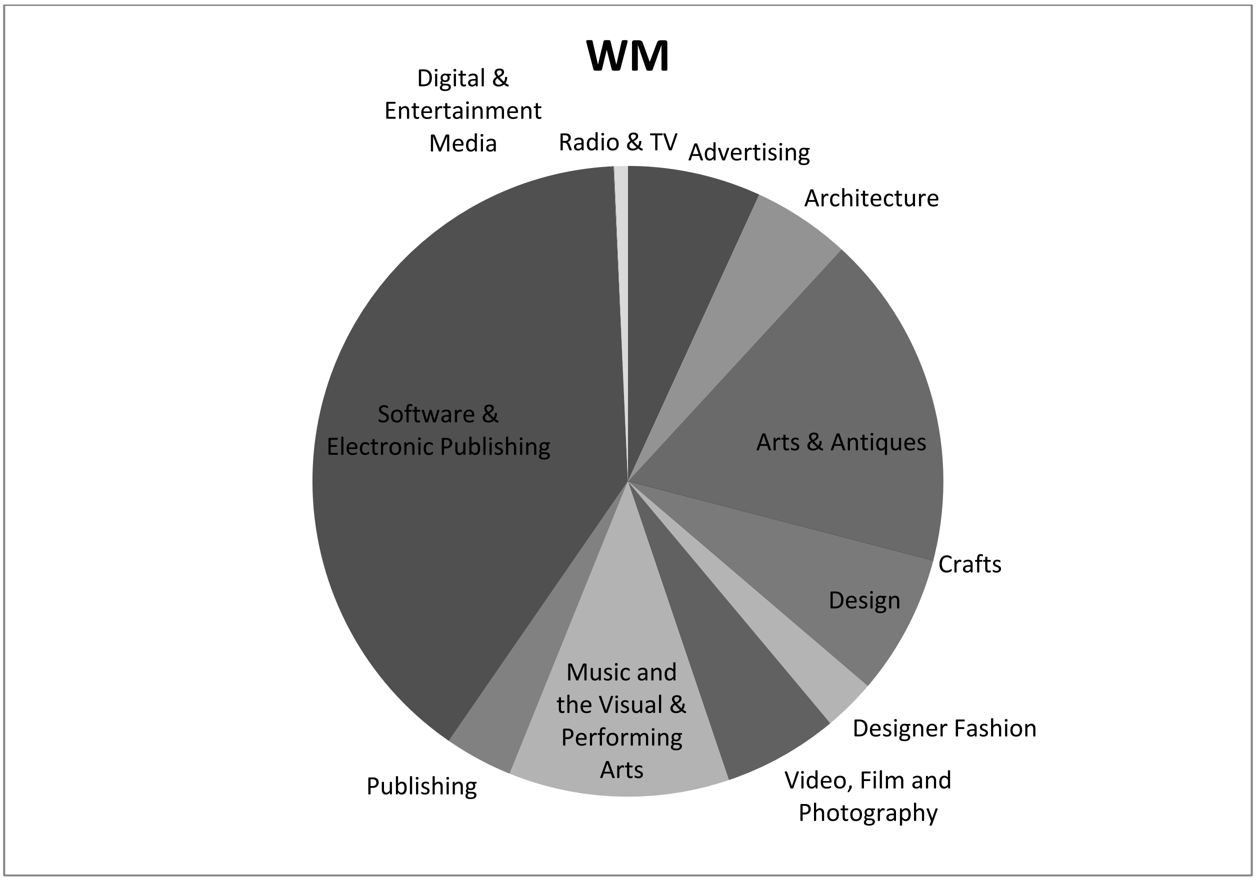


Figure 2 - Spread of creative and digital industries in the West Midlands region

2. **Case studies.**

2.1 To try and compensate in a small way for the lack of data on numbers in Walsall, companies in the sector were invited to be interviewed by the report authors to be case studies. The first four companies to respond were visited over August and a presented below.

2.2 Mobobo Games

2.2.1 Mobobo Games is a collection of internationally-based skilled computer programmers who are co-ordinated by Neil Pettit, operating out of an office in Walsall town centre, producing games for mobile phones. Neil acts as producer, organising the commissioning and publication of the finished games, and providing the art work.

2.2.2. Neil has aspirations to be an artist, and began working for a games company based in Bridge St, Walsall, in the early 1990s after seeing an advert for a professional artist. Given the turbulent nature of the games industry mainly involving new technology, this venture folded and was followed by a series of stints at various computer games companies across the country. Following the appearance of the Appstore, Neil soon realised that capital costs required to produce computer games had sunk to next to nothing. He decided to start his own business using his network of contacts and started Mobobo. This was possible simply using a standard PC and internet connection, originally working from his own home.

2.2.3 However, given the low start-up costs involved in producing games that are given away for free on the Appstore, the returns are also low and depend on income through advertising based on how popular the games are. Also, the shelf-life of games is very short, so there is constant pressure to produce new games, which relies on the availability of his network of programmers. In order to generate larger sales volumes, businesses need to spend large amounts on marketing, which diminishes the cash available to pay his programmers. Alternatively, he could spend more time working on more complicated games which could be sold at higher prices, but this reduce income from the sales of the cheaper games through Appstore. Thus, there is the continued question of the availability of working capital to fund the development of new products without impacting on key product lines and income streams. Neil was unable to fund this working capital through his bank, so instead has had to turn to friends and family to fund his growth proposals.

2.2.4 Given the media in which the company operates, the games can be produced via email across the globe and are simply put together and published from Walsall. Any new talent is likely to be found through networks rather than job adverts etc. because of the importance of knowing a programmers skills and portfolio.

2.3 Holomedia

2.3.1 Holomedia is one of possibly two holographic projection companies currently operating in the UK, and is run by Benjamin Field, based in Brownhills. Existing technology enables 3D images to be projected onto a stage with which performers can interact. Projecting an image of such a size involves quite large costs, which limits its use to large events such as product launches for multinational companies and major performances. Holomedia works in partnership with the technology provider to produce the content for the projections. Recent work involved the digital resurrection of a popular musician in Russia that was performed to an audience of 10,000 in St Petersburg.

2.3.2. Similarly to Mobobo Games, Ben acts as a producer, calling on a network of contacts who work freelance as and when required rather than being employed full-time. Again, the high-levels of knowledge and creativity involved in the sector means that familiarity with people's portfolio and past projects is one way of reducing the risks of producing sub-standard work that would jeopardise a company's reputation for content. However, given his expected growth (doubling in size over 12 months) as a result of several large commissions from Blue Chip clients and an award, he expects to register as a limited company soon and take on one or two employees and possibly relocate from a home office to commercial premises.

2.3.3 Ben's background is in acting, which developed into experience and skills around film and drama production (camera work etc). This in turn led to contacts with the technology provider, which Ben saw as being a significant opportunity in terms of using his existing skills and contacts to develop further.

2.4 Marlborough World

2.4.1 Whereas Mobobo Games and Holomedia may represent more high-tech businesses in Walsall, Marlborough World is a luxury leather goods manufacturer that has successfully expanded its existing product range of traditional luxury leather goods to include various weekend bags involving approaches from the fashion industry. As a result, Marlborough World is quickly and dramatically improving the image of the leather industry away from being dark, smelly and repetitive more towards one that merges design, fashion and traditional manufacturing.

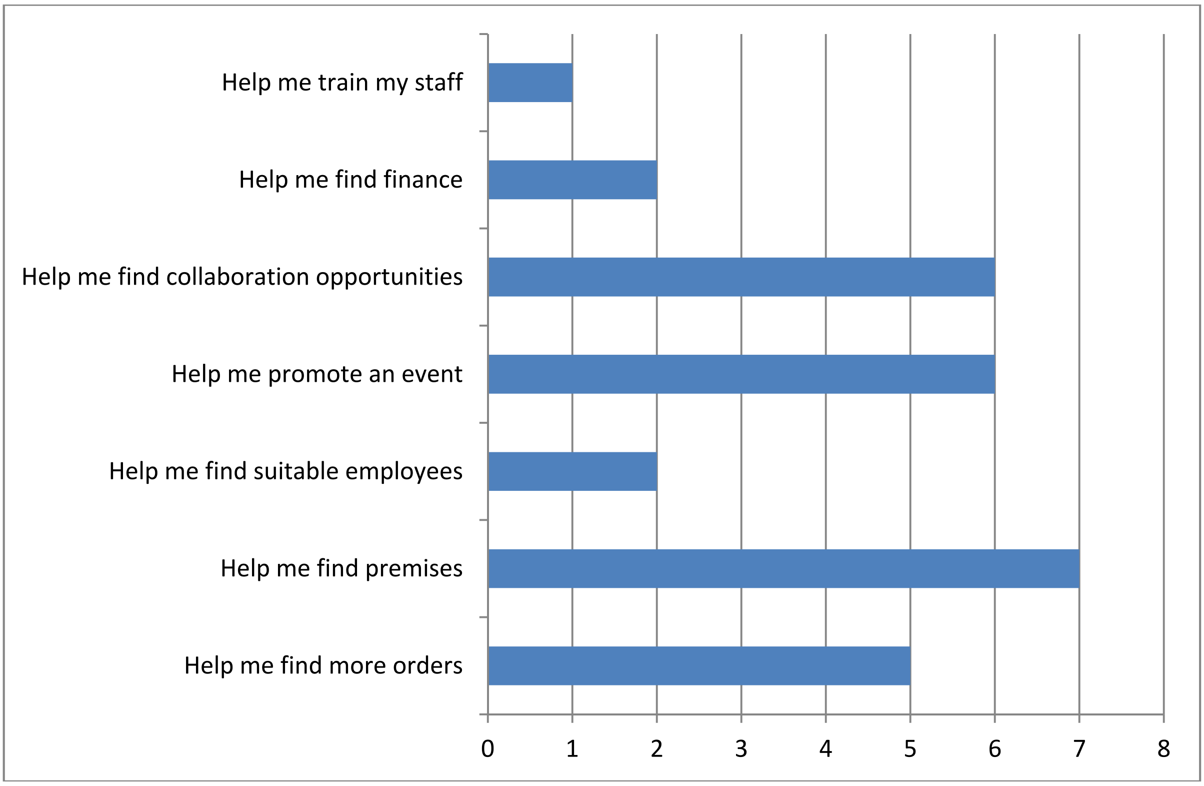
2.4.2 The business is over 40 years old, and was taken over by its current owner Richard Taylor in 1999, who made several fundamental changes that resulted in a three-fold expansion of sales. This required a move to larger, newly-built premises and recruitment of new staff. Richard has continued his strategy of continuous improvement and is adopting new marketing techniques not usually associated with the leather industry and is looking to modernise the design process to utilise CAD and new cutting techniques. Nevertheless, by Richard's estimation, Marlborough World remains the UK's last volume manufacturer of steel hip flasks.

2.4.3 A significant problem facing Marlborough World and similar businesses in the leather industry in Walsall remains the availability of skilled craftspeople to work on the factory floor. Companies have been recruiting existing skilled workers from other companies rather than employing young new staff. Many of those existing skilled workers will soon be retiring, and consequently there is a shortage of replacement staff. Currently, there is no training provision available locally, despite Walsall’s heritage in the leather industry. Richard has met with staff from Walsall College, who are currently exploring demand for adopting an existing apprenticeship framework in leather design and production. Walsall

Council is assisting in supplying contact details of leather businesses that may be interesting in taking on apprentices.

3 Data from creative and digital businesses

3.1 Over the period since the work on investigating the creative industries for the Regeneration scrutiny panel began, there have been 17 businesses in the sector that have contacted Regeneration Services regarding various matters. Their demands are summarised in the following table.



3.2 It is worth noting that businesses will contact Walsall Council regarding certain issues more frequently than they would other sources of business support because they have an idea of level of expertise, cost and helpfulness etc. The frequency of requests for support around finding premises over training, for example, could be a result of businesses expectations of what a local authority does rather than a complete picture of business needs.

3.3 Nevertheless, the need for new premises, funding and recruitment support indicates that these businesses are growing.

3.4 The frequency of the demand to help find collaboration opportunities and new orders re-iterates the need from the case studies that new orders and recruitment in the creative and digital industries is overwhelmingly as a result of personal knowledge rather than through traditional advertising. It also demonstrates how business development in the sector is largely through collaboration as businesses tend to be very small and offer services which larger clients pick and choose from. A lot of this collaboration is facilitated digitally and online across the region, nationally and even internationally (as demonstrated by Holomedia and Mobobo). It is also worth noting as a result of this widespread use of collaboration and partnership, the ability of any company to employ considerable numbers remains low.

3.5 As a result of this ability to operate across boundaries via digital means, the sector has strong potential to bring in revenue via exports. One of the reasons for the growth in the sector nationally is due to growing demand for creative and digital content in English. Increasing gross value added through accessing more lucrative markets is a particular challenge for the Black Country, where the average value of a contract is low (cf. Black Country Local Economic Assessment).

3.6 There is a large supply of small office space in Walsall, particularly in Walsall town centre. Much of this space is clearly advertised by agents through signs and boards on properties and websites. Nevertheless, businesses come to the Council seeking comprehensive property searches (rather than via an agent, who will charge finders' fees) and remain disappointed. This is perhaps an indication that the supply of office accommodation does not meet the requirements or expectations of creative and digital businesses.

3.7 Demands collated under the "help me find more orders" category can be met largely through www.finditinwalsall.co.uk and the opportunity matching service it provides. Businesses in the creative and digital sector tend to be more active online so ensuring the opportunities reach the businesses is not problematic, but capacity and capability issues remain over the relevance of many public tenders for these businesses in Walsall.

3.8 The prevalence of demands for support around events may present an opportunity for the public sector property review and also high levels of void properties around the Borough. The High Street Innovation Fund is an existing response to this demand.

4 **Next steps**

4.1 The findings in this report, together with an analysis of the strengths, weaknesses, opportunities and threats facing the sector, will be used to prepare options on how to grow the creative industries in Walsall. Members of the Scrutiny panel at the next suitable meeting will be able to select from these options and agree recommendations to take to cabinet. These options will include an estimation of resource implications, risk, sources of funding where necessary and a summary of their likely benefit.