



CORPORATE
FINANCE
FACULTY

C. Creative.
Industries.
Federation.

Creative industries – routes to finance

A guide to sources of funding and investment
for arts, cultural and creative organisations



Contributors

This guide has drawn upon the insights and expertise of people at many organisations, including:

Arts Council England | Arts Council of Northern Ireland |
Arts Council of Wales | BDO | Beechcroft Associates |
British Business Bank | British Film Institute |
Business Growth Fund | Cantor Fitzgerald | CBI | Clydesdale Bank |
Creative England | Creative Industries Federation |
Creative Scotland | Creative United | Deloitte | Department for
Business, Innovation & Skills | Department for Culture,
Media & Sport | Dunedin | Edge Investments | EY |
Funding London | Grant Thornton | ICAEW | Innovate UK |
HM Treasury | Institute of Fundraising | Intellectual Property Office |
Kingston Smith | Knowledge Transfer Network | KPMG |
Latham & Watkins | Lee & Thompson | Linklaters | MMC Ventures |
National Funding Scheme | National Theatre | NatWest Bank |
NESTA | NorthEdge Capital | Northern Ireland Screen |
PACT | Photographers' Gallery | PwC | Royal Opera House |
Royal Shakespeare Company | The RSA | Saffery Champness |
Taylor Wessing | The Accelerator Network | TIGA |
UK Trade & Investment |

© ICAEW 2015

All rights reserved. If you want to reproduce or redistribute any of the material in this publication, you should first get ICAEW's permission in writing. ICAEW will not be liable for any reliance you place on the information in this publication. You should seek independent advice.

978-1-78363-378-4

Contents

Foreword	01
Executive summary	03
New opportunities for the creative industries	04
Creative industries: five routes to finance	06
1. Preparing for finance	08
2. Professional advice	10
3. Public investment	13
4. Philanthropic support and corporate partnerships	18
5. Private capital	26
References	36
Contributing individuals and organisations	37
About the authors	40







HM Treasury

Foreword

The UK's creative industries bring enormous benefits. These benefits are cultural, with a recent study noting that the UK is the number-one for 'soft power' in the world, largely because of the global appeal of its creative industries. But the benefits are also economic, with the creative industries employing 1.8m people and generating £76.9bn of value for the UK in 2013. One in 11 jobs in the UK is now a creative job, and one in six of our graduate jobs is now in a creative role. Clearly, the creative industries are more than playing their part in the UK's economic recovery.

The government has done much to support the UK's creative industries, particularly through the creative sector tax reliefs. In the last parliament, we introduced tax reliefs for high-end television, children's TV, animation, video games and theatre. In the March 2015 Budget, the government announced that it would further support the film industry by increasing the rate of film tax relief to 25% for all qualifying productions. In addition, a new tax relief for orchestras is scheduled to come into force from April 2016.

But the success of the British creative industries is based on a mixture of public and private support. This publication, *Creative industries – routes to finance*, provides an invaluable guide for creative organisations that are looking to leverage funding and investment from both traditional and non-traditional sources. It is a useful contribution that will do much to support the ongoing success of the UK's creative industries.

Harriett Baldwin MP
Economic Secretary to the Treasury

Britain's creative success is based on a combination of public and private investment – including vital government support for national cultural institutions, the BBC and the Arts Councils, along with the National Lottery and significant regional and local investment.



Executive summary

- The creative industries are major contributors not only to the cultural life of the UK, but also to its international reputation and its competitive advantage and innovation – accounting for £76.9bn gross value added to the British economy and 1.8 million jobs.¹
- The UK is the world leader in many creative industries – and culture is a fundamental part of its ‘soft power’ (the ability of the country to attract and persuade by means other than military or financial).²
- Top British businesses view public investment in culture as a crucial factor for innovation in many areas of commerce, including manufacturing, technology, media, advertising, leisure and retail.³
- Every pound of public funding in ‘national portfolio’ arts organisations pays back £5 in tax contributions from the sector, according to Arts Council England.⁴
- Philanthropic funding and private investment in the creative sector are not substitutes for state support – but work alongside it.
- Legitimate tax breaks are a necessary but not sufficient factor in persuading individuals to give to the arts.
- The business benefits of corporate sponsorship include marketing, business development, public relations and corporate social responsibility (CSR).
- New and emerging forms of funding, such as rewards-based crowdfunding and peer-to-peer lending, as well as the growth of private investment and venture capital in the creative industries, are helping to fuel new businesses.
- Better awareness amongst creative organisations of alternative sources of equity and debt finance – beyond traditional bank lending – greatly enhances their potential development and resilience.
- Creative industry tax reliefs continue to underpin the expansion of the UK’s hugely successful creative industries, including film and TV, animation, video games and orchestral performances.
- Financial skills and expert professional advice are essential for developing robust finances, philanthropic and private investment, and sustainability.

£76.9bn
value to the UK economy in 2013

New opportunities for the creative industries

The creative industries are central to the cultural life of the UK. They are vital for its international reputation and play a big part in economic growth and innovation. They were worth £76.9bn to the British economy in 2013 (the latest published data) – accounting for 1.8 million jobs.⁵

Based on original research and on contributions from and interviews with more than 80 individuals and organisations at the heart of the UK's creative economy, this guide outlines the many, varied forms of finance used across the arts and creative industries. Our aim is to help creative organisations to understand the funding options available, to access finance, and to become more resilient and successful.

Government-funded bodies, including the arts councils, are a vital part of the UK's creative success, as is the National Lottery. The exchange of creative ideas, skills and talent between the public and private sectors is also essential. This is why the debate about the future of a publicly-funded BBC is particularly significant – given its central role in British life and contribution to the country's global reputation.

The creative sector has great potential to develop many more creative-content businesses that could see fast, scalable growth, exports, and generate high-quality, skilled and sustainable employment – something that was highlighted by the 2012 'Access to Finance' and the 2014 'Create UK' reports by the Creative Industries Council, initiated by the coalition government.⁶

Creative organisations are used to taking creative risks, so being open-minded, looking outwards and experimenting in fundraising are not big steps. But more financial help, advice and professional expertise would help them to be even more effective.

On the other side of the coin, many funders and investors understand that creative risks are what arts, cultural organisations and creative businesses are all about. After all, no organisation is risk-free. But some potential funders might need more information about the wide-ranging opportunities and challenges – including financial – faced by organisations in different parts of the arts, culture and creative industries.

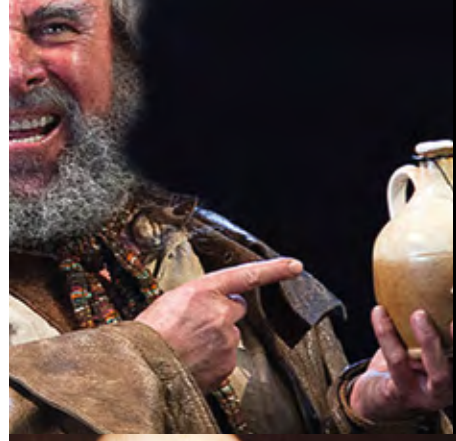
Therefore, this guide provides a balanced view of five routes to funding and investment in the creative sector: preparing for finance, professional advice, public investment, philanthropic support and corporate partnerships, and private capital.

We hope it is a useful contribution to the success of the UK's growing creative industries.

Shaun Beaney, Corporate Finance Faculty, ICAEW and **John Kampfner**, Chief Executive, Creative Industries Federation.

Access to public, private and philanthropic investment has never been more important. This is why ICAEW and the Creative Industries Federation have come together to devise a unique, comprehensive guide for creative organisations.





Creative industries:

Film – fine arts – design – music – video games – fashion – TV – performing arts – interactive entertainment – crafts – publishing – photography – radio ...



Five routes to finance



UK No.1

'Soft power' – global
cultural attraction and
influence

Fast-growing,
creative-content
ventures

£76.9bn

Gross value added

1. Public investment
2. Philanthropic support
and corporate
partnerships
3. Private capital
4. Preparing for finance
5. Professional advice



National success

Culture – innovation –
international reputation –
economic growth – education
– investment – competitive
advantage – exports – skills –
start-ups – digital development ...

1.8m jobs

£3.9bn

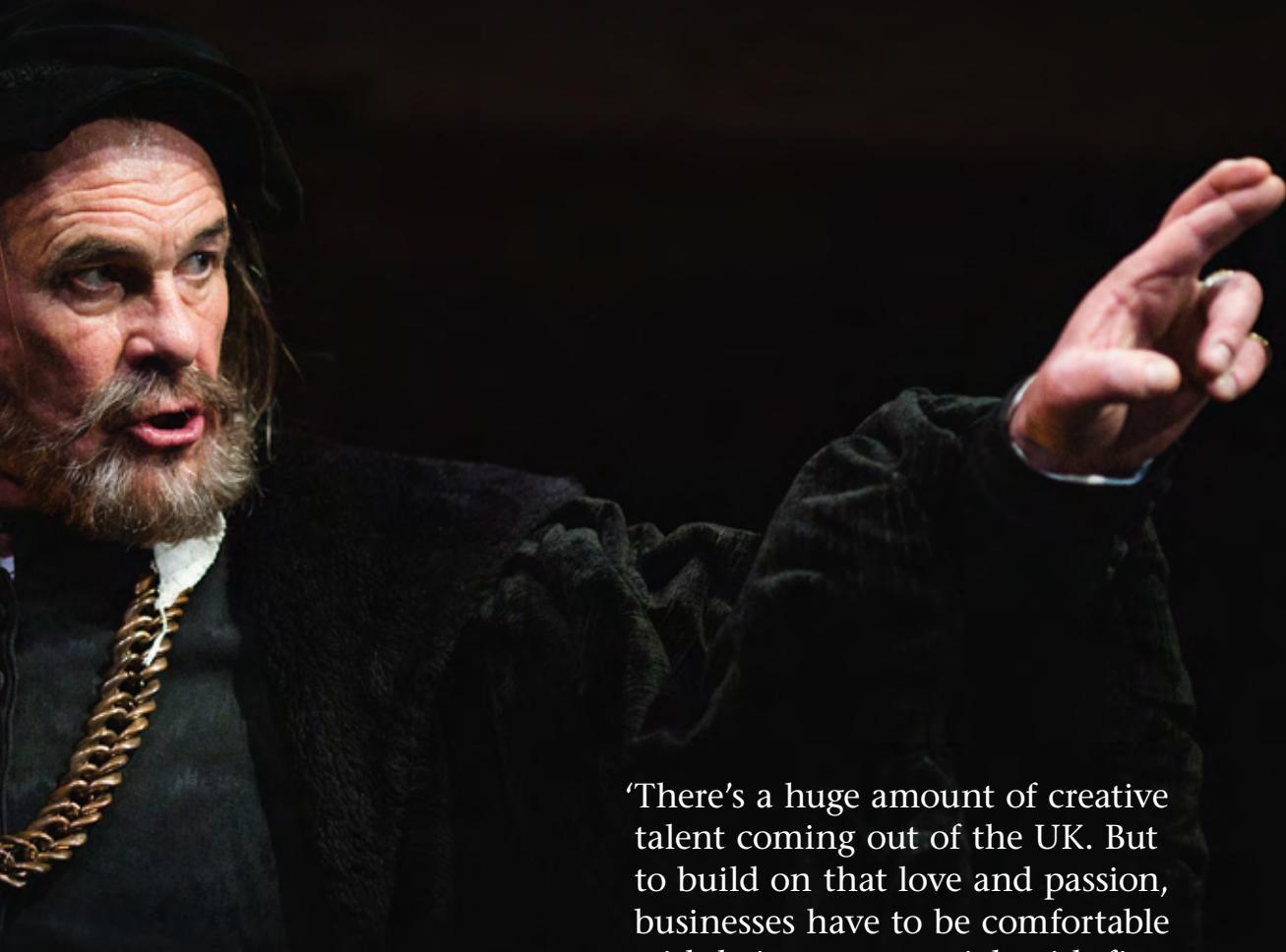
investment deals
and M&A

Creative input and talent
for high-technology,
manufacturing, engineering,
financial services, IT/software,
entertainment, advertising

Source: Portland Communications/Facebook/ComRes, *The Soft Power 30*, July 2015; Creative Industries Council, *Access to Finance Working Group Report*, December 2012; Department for Culture, Media & Sport, *Creative Industries Economic Estimates January 2015*; Department for Culture, Media & Sport, *Creative Industries 2015: Focus on Employment*, June 2015; Shaun Beaney, 'Creative ferment', *Corporate Financier*, June 2015; Creative Industries Federation, *How public investment in the arts contributes to growth in the creative industries*, July 2015

1. Preparing for finance

There are several steps that any organisation can take to make it easier for funders to understand what that organisation does – whether they are potential corporate partners, public, philanthropic or commercial investors, or other stakeholders.



‘There’s a huge amount of creative talent coming out of the UK. But to build on that love and passion, businesses have to be comfortable with being commercial, with finance and with the business structures that can help them to be creative.’

Melanie Eusebe, Member of the Board,
Creative Industries Federation

David Rintoul as Sir Arthur
Clarington in *The Witch of
Edmonton*, 2014. Photo by
Helen Maybanks © RSC.

Funders will want reassurance that creative organisations have thought carefully about potential self-financing – for example, from its supporters, development fees, advances, commissions and royalties – before looking for external backing.

How do organisations prepare the best case for funding and investment? Are there lessons that could be learnt from across the business world?

Understanding funders

Just as funders will want to understand a creative organisation they back, it is well worth an organisation spending time thinking about its potential funders – including considering questions such as the following.

- Who are the potential funders and investors in our area of the creative sector?
- What are our current and past sources of income? What has been successful? What has not?
- What are our potential funders looking for in backing an organisation – status, goodwill, entertainment, social impact, education, training and skills, a commercial return, or ‘brand’ awareness and business profile?
- What is our potential funders’ appetite for creative risk and for financial risk?
- Are other creative organisations rivals for funding – or potential partners?
- How do we make an ongoing cultural, social, intellectual or emotional connection with our potential funders, beyond a merely ‘transactional’ relationship?
- Can our potential funders add value beyond cash – as customers, providers of professional expertise, advisers or as a route to other funders?

Managing your finances

Any funder will be reassured if the creative organisation can demonstrate that it can manage its finances efficiently and effectively. Even for the smallest or newest organisations, this includes robust budgeting, cost control and cash management. Is budgeting realistic and flexible – including contingencies?

Most stakeholders will require an organisation to produce financial information in a timely and accessible way – not only for its funders, but potentially also banks, credit referencing agencies, suppliers, customers and clients, employees and HM Revenue & Customs (HMRC).

There are many high-quality guides to planning and managing finances that are freely available from government agencies, accountancy firms, banks and other bodies.

Sizeable organisations will usually employ chartered accountants to help plan and manage their finances. But all senior directors in a creative organisation or company should aim to have a very good understanding of the financial workings of their organisation.

What’s the plan?

Potential funders and investors need to understand the ‘business model’ of the organisation they back. What’s its service or product? What’s its competitive advantage? What’s its route to market? What are its price points? What are its margins? What are its financial projections?

Depending on how projects are commissioned, creative organisations will aim to provide a substantial amount of funding from their own cash resources and the income they generate from sales, advances, royalties and development fees.

Even if a creative organisation does not aim to be the ‘next big thing’ – and even if it is not primarily commercial in purpose – being able to put together a simple business plan can be a crucial way of clarifying the ‘who, what, when, how, why and ... how much’.

For example, business models vary greatly across the creative sector. Revenues can be generated variously from ticket sales and membership in the performing arts, from subscription models in publishing, from freemium/premium prices in some digital products, from audience reach and share in advertising-led businesses, and from royalties in music. Funders and investors will expect an organisation to be very clear about its sources of income and its revenue drivers.

There are many excellent guides to writing a business plan that are freely or cheaply available, in print and online (see, for example, ICAEW’s *A guide to smarter business plans*). A good business plan can be an effective management tool – helping to set benchmarks and measure success – and it can also be a development tool to help to understand how to engage with audiences and markets.

Find out more

- icaew.com/fmfreports

Protect your IP

Creative organisations are rich in intellectual property (IP) that might have to be protected from illegal copying or use (‘infringement’ or ‘misappropriation’). That IP is protected by means of copyright, patent, design right, trade mark or trade dress. The risks are even greater in a world dominated by digital media. It is a complex area in which you might well need advice from IP lawyers or specialist agencies.

A very good place to start when thinking about how to value and protect IP is the UK government’s Intellectual Property Office, which has produced several free online guides and tools.

Find out more

- ipo.gov.uk/iphealthcheck
- gov.uk/government/publications/banking-on-intellectual-property-ip-finance-toolkit

2. Professional advice

‘Well-qualified professionals have a crucial role to play in providing financial and business expertise to organisations in the creative sector, particularly given its growing significance – in the UK and globally.’

Michael Izza, Chief Executive, ICAEW



The UK is particularly fortunate to have many very experienced and knowledgeable professional advisers to assist creative organisations that are seeking finance and investment.

It is a good idea to find advisers who have skills that complement those that the organisation already has. It is also helpful to find advisers whose outlook and attitudes chime in with those of their clients, who have a track record of successful work and projects in the creative industries, and who are knowledgeable about alternative sources of funding.

It is also sensible to shop around for competitive fees, and highly advisable to take references and look for testimonials from peers. Clarity and transparency are important aspects of good professional advice. Regulatory compliance is, of course, essential.

Throughout this guide, we have included links to many additional sources of information produced by the government, trade associations and other advisory bodies.

General professional business finance advice

The Business Finance Guide

Provides an independent, balanced view of all types and sources of finance – with input from 19 major UK organisations, including ICAEW and the British Business Bank
icaew.com/bfg

Chartered accountants

ICAEW's Business Advice Service provides a free online 'Find a chartered accountant' service.
<https://find.icaew.com/>

Legal advice

The Law Society – 'Find a solicitor'
<http://solicitors.lawsociety.org.uk/>

Corporate finance

Member organisations and senior contacts of ICAEW's Corporate Finance Faculty.
icaew.com/cffmemberfirms

Government support

gov.uk/business-finance-support-finder

Department for Culture, Media & Sport

gov.uk/dcms

Department for Business, Skills & Innovation

gov.uk/bis

Intellectual Property Office

gov.uk/government/organisations/intellectual-property-office

UK Trade & Investment

gov.uk/ukti

British Business Bank

british-business-bank.co.uk

Additional sources of creative industries financial advice

Arts & Humanities Research Council

ahrc.ac.uk

Creative Business Mentor Network

nesta.org.uk/project/creative-business-mentor-network

Creative England/Creative Finance Network creativefinancenetwork.co.uk

Creativeskillset

creativeskillset.org

Interactive Scotland

interactivescotland.com

Knowledge Transfer Network

<https://connect.innovateuk.org/web/creativektn>

TIGA

tiga.org/repository/documents/editorfiles/onlinesubscribers/tiga_sources_of_finance_document.pdf

UK Music

ukmusic.org/policy/finance

Business and financial support

British Bankers' Association/Better Business Finance

betterbusinessfinance.co.uk

British Chambers of Commerce

britishchambers.org.uk

Business Growth Service

ga.businessgrowthservice.greatbusiness.gov.uk

CBI

cbi.org.uk

Federation of Small Businesses

fsb.org.uk

Forum of Private Business

fpb.org

ICAEW


icaew.com/creativeindustries

Institute of Directors

iod.com

Institute of Fundraising

institute-of-fundraising.org.uk

A portrait painting of Sir Francis Leggatt Chantrey, a sculptor. He is depicted from the chest up, wearing a dark, heavy coat over a white cravat. He has a serious expression and is looking slightly to the right of the viewer. The background is dark and indistinct.

Portrait of sculptor
Sir Francis Leggatt
Chantrey by Thomas Phillips
© National Portrait Gallery,
London.

‘The UK’s creative industries are worth an incredible £76.9bn a year, and their growth rate surpasses any other UK sector. It’s more important than ever that the government builds on this UK success story by helping companies to navigate the complex financial landscape – and to compete in the global marketplace.’

Caroline Norbury MBE,
Chief Executive, Creative England

3. Public investment

The public funding context in the UK

Public funding for the arts in the UK underpins the creative industries. As well as the social, educational and national-status benefits of a strong cultural sector, there is also increasing evidence of the economic and business benefits. Recent research published by Portland Communications, Facebook and ComRes showed that Britain was a world leader in ‘soft power’ – its ability as a country to attract and persuade by means other than military or financial. This includes its cultural reputation and influence around the world.⁷

As a recent report by the Creative Industries Federation and Warwick Business School illustrates, many prominent business leaders and entrepreneurs regard public investment in culture as also being crucial for commerce.⁸ Public arts and culture – including the central contribution of the BBC to the country’s creative industries and international reputation – are a seedbed for innovation, intellectual property and talent in publishing, advertising, digital, fashion, film, video and games industries.

Between them, Arts Council England, Creative Scotland, Arts Council Northern Ireland and Arts Council Wales support nearly a thousand national portfolio and regularly funded organisations. But the UK government’s contribution, at 0.3% of GDP, is relatively modest on a European scale.

Arts Council England recently reported that for every £1 of public funding invested in its national portfolio organisations (NPOs), £5 is paid back in tax contributions from the sector as a whole. For every £1 of turnover generated by art and culture, 51p gross value added (GVA) benefits the economy.⁹

Additional ‘spill-over’ benefits to the economy include skills, innovation, boosting national productivity and exports in the creative workforce, economic and community regeneration. They make a major contribution to sectors such as high-technology, manufacturing, retail, leisure and tourism.

Public funding for the creative industries has been put under significant pressure for several years. The government has planned to cut the Department for Culture, Media & Sport’s administrative budget to £1.1bn in 2015/16 (about 0.3% of all government departmental budgets), compared with £1.4bn in 2010/11.¹⁰

Consequently, all arts and cultural organisations have had to become more financially proficient and more entrepreneurial. The amount of total funding in NPOs accounted for by ‘earned income’ (for example, tickets and merchandise) has increased, as has contributed income (sponsorship, trusts, donations).¹¹

The growing range of creative industries’ tax credits has also played a part in the growth, as a necessary but not sufficient complement to grant-in-aid (see pages 32–33).

As set out in this section of the guide, there are still many sources of local, regional and national funding for creative organisations, whether for new ventures, mid-sized or national institutions.

There has also been a step-up in interest in and practical support for business start-ups and in the scale-up of fast-growing enterprises. This has particularly been the case where there have been clearly understood potential gains in terms of sustained, long-term and skilled employment – an essential transmission route of state support into the wider economy.

Several national and regional innovation funding programmes also interact with the creative industries, particularly for dynamic digital and technology companies that are creating and exploiting significant intellectual property.¹²

‘Publicly funded arts organisations act as the R&D for the creative industries – both for new concepts and for people.’

Sir John Sorrell CBE, Founder and Chairman,
Creative Industries Federation

Some major sources of public investment

Arts Council England

Arts Council England champions, develops and invests in activities across the arts, museums and libraries – from theatre to digital art, publishing to dance, music to literature, and crafts to collections.

Between 2015 and 2018, Arts Council England is investing £1.1bn of public money from government and an estimated £700m from the National Lottery. This includes allocations of approximately £1bn for 663 NPOs, £104m strategic funding, and £210m of National Lottery-funded grants.

It provides a large capital grant programme that will invest £88m in 2015–2018.

Grants for the arts is a £210m, 2015–2018 National Lottery-funded programme for individuals, arts organisations and other people who use the arts in their work. Grants are available for activities that engage people in England in arts activities and help artists and arts organisations. The maximum grant is £100,000.

In May 2015, Arts Council England launched a three-year, £35.2m Ambition for excellence scheme that is intended to have a significant impact on the growth of an ambitious international-facing arts infrastructure, especially outside London. Awards range from £100,000 to £750,000 each.

Several of its programmes for creative organisations are listed elsewhere in this guide, including the Arts Impact Fund and Creative Industry Finance. All its open funding programmes are listed online.

Find out more

- artscouncil.org.uk/funding/apply-funding/apply-for-funding

Creative England

Creative England invests in talented people and creative ideas, supporting the country's richly diverse games, TV, film and digital media industries, with direct investment, loans and business mentoring.

Its funding programmes include: interest-free business loans of up to £200,000 for established creative SMEs; themed accelerator programmes in sectors such as healthcare and travel for digital start-ups, as well as its own Digital Accelerator based in Bournemouth; the Creative England Production Fund, which invests in regional films; a £3m West Midlands Production Fund for films and high-end TV drama; a £2m programme for games developers with Regional Growth Fund backing and the support of Disney, PlayStation and Microsoft; a £1m interactive healthcare fund in partnership with the Heart of England NHS Foundation Trust and Nominet Trust; and a Film Enterprise Fund, which is investing £2m in four years for film-related businesses in England (outside of Greater London) and

which is helping film entrepreneurs to develop creative strategies, refine their business models and attract corporate finance.

In September 2015, Creative England launched the Creative Cities Growth Programme, a £1m fund to encourage creative SMEs in regional 'hotspots'.

Find out more

- creativeengland.co.uk

Arts Council of Northern Ireland

The funding and development agency for the arts in Northern Ireland provides practical support, advice and finance to artists and arts organisations.

The Annual Funding Programme represents the Council's main grant scheme. Its Small Grants Programme, supported by the National Lottery, is for groups seeking between £500 and £10,000. Its Support for Individual Artist Programme (SIAP) offers artists a range of funding opportunities, including a Major Individual Award that helps established artists develop their work.

Its major programmes also include Building Peace through the Arts, and Arts and Older People.

Find out more

- artscouncil-ni.org/funding/for-organisations

Northern Ireland Screen

Northern Ireland Screen is the government-backed lead agency for the film, television and digital content industry, with the aim of promoting international expansion, contributing to Northern Ireland's economy, celebrating its culture and enhancing children's education.

It provides funding for feature films, TV drama, factual and entertainment TV, animation and digital content, up to a maximum of £100,000. Its production funding, in the form of recoupable loans, is for commercially viable productions that have at least 65% of their funding already in place, with indications of distributor or broadcaster interest. The maximum funding is £800,000, or 25% of the overall budget.

Northern Ireland Screen also provides funding for script development, feature documentaries and short films via the Lottery Fund, and production funding via the Irish Language Broadcast Fund and Ulster-Scots Broadcast Fund.

Find out more

- northernirelandscreen.co.uk/categories/5/investment-and-funding.aspx

Arts Council of Wales

The Arts Council of Wales is the country's funding and development organisation for the arts, including support for Revenue Funded Organisations (RFOs), to which it awards recurrent grants on an annual basis towards their core activities.

Arts Council of Wales Capital Lottery funding provides upwards of £5,000 per project. There is also the Small Grants programme of between £250 and £5,000 for small-scale or pilot arts projects, or towards the costs of larger projects that have been supported by several funding partners. The Large Grants programme offers between are between £5,000 and £30,000 for bigger projects and other specific schemes such as National Touring are available. These grants can cover between 50% and 90% costs, depending on the type of project.

It also runs an International Opportunities Fund (IOF), administered by Wales Arts International (WAI), the international arm of the Arts Council, working alongside the British Council. It provides grants of up to £5,000 per project.

Find out more

- artscouncilofwales.org.uk/what-we-do/funding
- wai.org.uk/funding

Creative Scotland

Creative Scotland is the public body that supports the arts, screen and creative industries across all parts of Scotland. Its funding is focused on strategic sectoral growth and is delivered in partnership with Scottish Enterprise and Highlands and Islands Enterprise, which each have a focus on supporting individual businesses.

Creative Scotland distributes funding from the Scottish government and the National Lottery and it has inherited all the funding commitments and investment strands of the Scottish Arts Council and Scottish Screen. These include the £100m Regular Funding for many organisations for at least three years from 2015, as well as Open Project Funding for individuals and organisations – likely to be worth a total of £12m (mainly from the National Lottery) in 2015/16 – with provision of between £1,000 and £150,000 per project. The next round of Regular Funding (2018–21) will open in 2017.

‘Scotland has a rich legacy of excellence and innovation across all art forms. Our creative industries form an integral part of our cultural and economic success.’

Janet Archer, Chief Executive, Creative Scotland

Targeted development funding programmes with other agencies include £300,000 annual Creative Place Awards scheme that recognises communities where people work together to celebrate and promote their town, village or area through the arts and culture. Communities can apply for an award of £50,000, £100,000 or £125,000.

As part of Creative Scotland's Film Strategy 2014–17, it runs three funds: general film funding (£4m for 2015/16); Screen Skills Fund Scotland (£1m for 2015/16) to develop business and technical skills; and the UK Film, High-End TV and Animation Tax Credit Advance Facility, which is a £2m fund available for producers as an advance against receipt of the UK film, high-end TV and animation tax credits.

The three-year, £3m CashBack for Creativity scheme is a cultural part of the Scottish government's 'CashBack for Communities' programme, which reinvests funds recovered from the proceeds of crime back into communities to benefit Scotland's young people. The £200,000 Cashback for Creativity Open Arts Fund (grants of up to £10,000) is being managed in partnership with YouthLink Scotland to deliver free arts activities. The Creativity Strategic Fund is focused on learning and developmental activities to improve skills and confidence and raise aspirations. A 'Training and Employability' strand works with institutions in further and higher education.

TTS.Digital is a fund to support projects that will inspire digital creativity in young people as part of 'Time to Shine – Scotland's National Youth Arts Strategy'. The fund will be delivered in two phases: phase one (£50,000; maximum award £5,000) supports up to 10 pilot projects; phase two (from August 2015), with a budget of £400,000, is supporting larger scale projects, investing between £50,000 and £100,000 per project.

Find out more

- creativescotland.com/funding

Arts Impact Fund

The Arts Impact Fund is a £7m pilot scheme launched in March 2015, providing unsecured loans of between £150,000 and £600,000 to arts and cultural organisations in England.

Applicants have to demonstrate financial sustainability, artistic ambition and a commitment to social impact in at least one of one of these areas: health and wellbeing; citizenship and community; or youth and educational attainment.

The programme is managed by NESTA, and supported by the Esmée Fairbairn Foundation, Bank of America Merrill Lynch, Arts Council England and the Calouste Gulbenkian Foundation.

The new fund follows in the footsteps of the Digital R&D Fund for the Arts, also managed by NESTA, which invested nearly £7m in 2013–15 in 52 projects that enabled arts organisations to develop new digital products and services.

Find out more

- <https://artsimpactfund.org>
- <http://artsdigitalrnd.org.uk>

Innovate UK

Innovate UK (formerly known as the Technology Strategy Board) is the UK's innovation agency, and provides networking, collaboration and funding opportunities for business-led innovation and R&D.

It is running 16 competitions for grants to creative, digital and design businesses in 2015/16, with total funding likely to exceed £30m. It already has two competitions underway in the creative industries, with the remainder to open in late 2015 and in 2016.

Innovate UK's Smart funding scheme provides grants for start-ups and SMEs to help them develop their innovations – from proof-of-market through to proof-of-concept and on to prototype development. It provides grants of up to £250,000 per project.

Find out more

- <https://interact.innovateuk.org/>

Innovate UK's Knowledge Transfer Network (KTN) brings together businesses, entrepreneurs, academics and investors to network, collaborate and share information and ideas about innovative new products, processes and services. The KTN includes a dedicated Creative, Digital & Design community.

Find out more

- <https://connect.innovateuk.org/web/creativektn>

British Film Institute (BFI)

The BFI is the UK's lead organisation for film, representing the cultural, creative and economic priorities of UK film as part of a comprehensive and coherent strategy.

The BFI invests National Lottery and government funds to support film development, production and distribution across the UK, with the aim of encouraging innovation, opportunity and creativity and for the benefit of audiences and the film industry.

The BFI is the UK's largest public investor in UK film, committing up to £60m of National Lottery funding to projects every year.

As part of this, the BFI Film Fund supports film development, production, distribution and exhibition activity in the UK, as well as exports to worldwide audiences. By investing approximately £23m annually, the BFI supports about 25 feature productions by emerging and established filmmakers, including international co-productions, and also provides development support for more than 100 feature projects.

The BFI Film Fund runs a £4m per annum Distribution Fund, with a programme of various awards to distributors to promote access to, and awareness of, high-quality British independent and specialist films in order to boost audience choice and to enrich film culture across the country.

The Film Export Fund, investing about £300,000 annually, helps sales agents with a film's publicity and marketing, as well as with the technical and logistical costs of appearing at international festivals.

The £5.5m a year BFI Audience Fund backs initiatives, such as the BFI Film Audience Network, of hub organisations that work with cinema exhibitors, film festivals, film societies, educators, community venues and film archives to boost film audiences across the UK, in particular for specialist and independent British film. The Programming Development Fund supports the BFI Film Audience Network by enabling exhibitors to back more adventurous programming.

The BFI Neighbourhood Cinema helps local community venues to offer a cinema experience to local audiences. The Film Festival Fund supports events that have an international or UK-wide reach and profile, as well as those that offer strong cultural programmes that serve local audiences.



The BFI's Certification Unit is the first point of contact for applicants who want to qualify their films, high-end television programmes, animations or video games as British, and to access the UK's creative sector tax reliefs (see pages 32–33).

The BFI also partners Creative Skillset, a UK-wide body that supports skills and training for people and businesses. The Film Skills Fund invests £5m annually in a range of activities that are dedicated to film-specific training needs identified by the film industry.

The BFI NET.WORK (new and emerging talent) is a nationwide partnership backed by the BFI to develop film-making talent. The network includes Creative Skillset, Creative England, Ffilm Cymru Wales, Northern Ireland Screen, Scottish Film Talent Network and Film London. The BFI Film Academy is part of the BFI's education strategy to provide a ladder of opportunity to enable new talent to find a route into the industry via courses and training programmes.

Find out more

- bfi.org.uk/supporting-uk-film/funding-filmmakers

4. Philanthropic support and corporate partnerships

Private patronage of the arts is of course millennia old. In classical times, it was famously driven by political ambition, as well as by a sense of civic pride and communal benefit – again, often interwoven with a desire for political and personal status.



In more recent centuries, private patronage has also been motivated by instrumental goals of, variously, religious conviction, a desire to 'civilise', or to raise a community's moral or intellectual level.

In the past few decades, these instrumental aims have been supplemented by the policy and administrative language of 'social cohesion', 'regeneration' and 'social impact'.¹³

The interplay of public, philanthropic and private-sector sources of funding has required creative organisations to continue to step up their expertise in how to raise money.

The biggest cultural institutions have risen to the challenge by creating development teams that include specialists in individual giving, in foundations and trusts, and in corporate partnerships. However, there is a consensus that 'cultural philanthropy' is still waiting for a great leap forward in the UK.

Charitable giving was worth £660.5m to the UK's cultural sector in 2011/12 (the last figures reported), according to Arts & Business.¹⁴ But, to put that in context, the arts account for only about 1% of all charitable giving, according to estimates by the Charities Aid Foundation in its 2014 report.¹⁵

Legitimate tax breaks are a necessary (but not sufficient) factor in persuading individuals to give to the arts. There are many more complicated reasons why people donate. There is a risk that simplistic comparisons with other countries, such as those often made with the United States, hinder rather than help to increase philanthropic financial support in the UK.¹⁶

Corporate sponsors of the arts and culture often have important aims beyond philanthropy when they provide financial support. The business benefits of sponsorship include marketing, business development, public relations and corporate social responsibility (CSR).

Given these significant commercial benefits, perhaps more companies could be encouraged by policymakers to provide more sponsorship for the cultural sector across the country, and particularly at a local and regional level.

Finally, the creative industries are looking for more engagement by business in general – in expertise and advice, as well as cash – to ensure they have the strongest possible combination of artistic, business and financial expertise on which to draw.

'Changes in the public's behaviour may present a big opportunity for creative organisations that need to attract charitable support. For example, digital platforms can boost individual donations and Gift Aid, increase an organisation's financial resilience, and build even stronger links with the community.'

William Makower, Founder Trustee, National Funding Scheme

Managing relationships

The biggest creative institutions manage their ongoing relationships with donors and corporate partners very carefully. This financial support is a vital part of those institutions' creative successes.

Establishing and developing those relationships begins with understanding the motivation of the donors and corporate sponsors, and how that motivation can be successfully aligned with the goals of the organisation. The creative organisation will often consider the following questions.

- What are the values of the philanthropic supporter?
- What level of engagement do they want – which could range from attending events to voluntary help to a position on the board?
- What say do they want over the use of their investment and the distribution of their funds?
- What are a corporate partner's commercial, finance and fiscal aims?
- What impact could sponsorship have on the organisation's VAT and corporation tax status?
- Is there any potential reputational risk that could result from the donation or corporate sponsorship?

Corporate sponsors of creative organisations are usually primarily looking for significant marketing, business development, CSR and PR benefits from these partnerships, rather than being motivated by philanthropy.

Good communication and keeping in touch with – and therefore retaining – financial supporters are of course crucial.

Many creative organisations are investing in technology to approach potential donors via various media, including customer relationship management (CRM) systems. Data have become a bigger part of relationships and audience development for creative organisations of all sizes. It has therefore become critical that organisations understand the legal requirements for the collection, handling cyber security, disclosure, and the destruction of data under the Data Protection Act 1998.

Some of the largest creative organisations have also formed corporate advisory boards to pool the expertise of corporate sponsors and donors for retention and recruitment – although this requires a considerable investment of staff time and administration to be effective.

Creative, marketing, finance and development specialists in creative industries also have to work closely with each other to ensure that their organisations are attracting and retaining philanthropic funding.

Find out more

- institute-of-fundraising.org.uk
- culturehive.co.uk
- governmentfunding.org.uk/Content/help-advice/sources-of-funding.aspx

Charitable status

The decision as to whether to set up a creative organisation as a charity (or another form of voluntary, not-for-profit organisation) is a major strategic one.

There are considerable funding opportunities and tax reliefs available exclusively to charities. But charities must also comply with additional legislation, which could limit or complicate their scope and activities.

A charity is governed by its constitution, which outlines what its charitable objectives are. All charities registered in the UK must have objectives that require the charity to be of public benefit. Further details of what meets the public-benefit requirement and how this can be demonstrated can be found on the following webpages.

- Charitable purposes and public benefit: gov.uk/government/collections/charitable-purposes-and-public-benefit
- Meeting the charity test guidance: oscr.org.uk/charities/guidance/meeting-the-charity-test-guidance/public-benefit
- The public benefit requirement: charitycommissionni.org.uk/manage-your-charity/register-your-charity/the-public-benefit-requirement/

A charity must restrict itself and the use of its assets to charitable activities, and register with the Charity Commission (in England and Wales), with the Office of the Scottish Charity Regulator, or with the Charity Commission for Northern Ireland. It must observe charity law and meet very high standards of governance and transparency. Charities are overseen by independent (normally unpaid) trustees whose responsibilities are to ensure the effectiveness, appropriateness and sound management of the charity's activities.

There are several ways that a charity can be structured, which will be partly determined by its sources of funding, potential access to donors, grants, tax relief and reduced business rates.

If the overall aim of the organisation is to be a profitable, growing commercial one, then a charity may not be the right structure. Alternatively, many charities set up trading subsidiaries from which profits can be reinvested in the charity itself. This can have tax advantages for the charity and for its trading subsidiary. But if the purpose of the organisation is primarily for the benefit of its founders and shareholders, then its route to finance would be private capital (see pages 26–35). Another alternative is to set up as social enterprise (see page 23).

Find out more

- [gov.uk/topic/running-charity/setting-up](https://www.gov.uk/topic/running-charity/setting-up)
- charitycommissionni.org.uk/start-up-a-charity/
- oscr.org.uk/charities/becoming-a-charity
- smallcharities.org.uk
- institute-of-fundraising.org.uk
- scvo.org.uk
- icaew.com/charity

Charities, tax and VAT

The tax advantages of charitable status include:

- exemption from income tax or corporation tax on non-trading income applied for charitable purposes;
- corporation tax relief on trading profits of a subsidiary company donated to the parent charity;
- relief from business rates for buildings used for charitable purposes (rate relief);
- stamp duty land tax relief on freehold property and leases acquired for charitable purposes;
- donations from individuals can be enhanced through the gift aid scheme (see page 24); and
- specific VAT reliefs and exemptions.

There is no automatic VAT relief for charities on goods and services. Therefore charities often pay VAT on all standard-rated goods and services they buy from VAT-registered businesses, although some specific exemptions do apply. Charities have to register for VAT if they undertake activities that are classified as 'business activities' and the total value of this turnover exceeds the registration threshold, which is £82,000 (for 2015–16).

Charities pay VAT at a reduced rate (5%) or the 'zero rate' on some goods and services. Some activities, such as one-off fundraising events, are generally exempt from VAT. What qualifies for VAT relief can be a complicated and contentious area, often requiring specialist professional advice.¹⁷

Find out more

- [gov.uk/vat-charities/overview](https://www.gov.uk/vat-charities/overview)
- [gov.uk/government/publications/vat-notice-7011-charities](https://www.gov.uk/government/publications/vat-notice-7011-charities)

Charitable trusts

Trusts can be an important source of one-off project funding and steady, long-term income for many charities, voluntary and cultural organisations. They are often the starting point for new arts organisations and creative ventures that are seeking funds. Specialists who are experienced in developing funding from trusts are in great demand across the creative industries.

A donor, or donors, will place wealth or property 'in trust' to be managed by its trustees for the benefit of other individuals or organisations (the 'beneficiaries'). The trustees (who might include family members or descendants of the original donor) have a legal duty to act in the interests of the beneficiaries and according to the trust's governing documents.

Many grant-making charities also use the term 'foundation' in their title. The term foundation does not determine the legal structure of the organisation in the UK. The legal structure of these organisations will be set out in the governing documents. The majority of grant-making foundations are charitable organisations themselves, created to support community, social, educational or cultural causes.

There are several very prominent and well-known foundations in the UK that support the arts and creative industries. There are others that will support creative projects that have a social, educational or other campaigning purpose.

Many foundations aim to underpin long-term finance and sustainability of those cultural organisations; others will finance specific short-term projects – or even, in some cases, risky new or experimental creative ventures – as long as they are aligned with the objectives of the foundation.

Find out more

- artscouncil.org.uk/funding/apply-funding/other-sources-of-arts-funding
- artswales.org.uk/what-we-do/funding/
- acf.org.uk

Corporate partnerships

There is still sizeable untapped potential in terms of corporate support for creative organisations in the UK, particularly in terms of persuading more companies to sponsor local and regional arts and culture. Businesses provided about £150m in direct support, sponsorship and partnerships with the cultural sector in 2011–12, according to the Department for Culture, Media & Sport. But, to put that into context, it is only the equivalent of the turnover of a single medium-sized company.¹⁸

As well as major development funding, corporate partnerships can bring many benefits. They can provide much needed funds from marketing or community budgets, good PR, brand awareness, and encourage CSR, volunteers and pro bono support.

The simplest form of company support is when it makes a corporate donation. The company then gets tax relief by deducting the amount given from its profits, and so pays less corporation tax.

Corporate sponsorship is usually linked to a specific event, show, exhibition, or related media or education. This will often be for marketing and business development, to promote a brand. It often also includes clearly defined and contracted hospitality and entertainment for the sponsor's clients or staff.

A corporate partnership might describe a longer-term corporate or brand association with an exhibition, theatrical season, new venture, or tour. This can help to move the relationship between a corporate and a creative organisation beyond the traditional 'transactional' one to one where the company could even be helping the creative organisation to develop new digital platforms, media or content.

Finally, corporate membership often refers to an ongoing connection of a corporate brand to an organisation in return for an annual fee. The corporate benefits will primarily include hospitality and special events and, sometimes, naming rights.

Development directors in creative industries organisations have to be very clear about the business aims of the corporate partner, whatever the finance size of the arrangement – and they should always treat the partnership in a business-like manner. That includes understanding the commercial metrics of the corporate partner.

Many development directors say there is an increased corporate focus on the 'ROI' (return on investment) that companies want to see from their financial support in terms of marketing, business development or other objectives.

The corporate decision to support or sponsor an organisation might be made by senior directors (or business owners), the company's marketing department, CSR specialists, employee engagement specialists within a company, or by specialist sponsorship agencies acting on its behalf. This requires development teams in creative organisations to be able to sustain very good relationships at several levels of a partner company.

The list of benefits and activities offered to corporate partners is also becoming longer, and, in the largest organisations, might now include a combination for corporate staff or clients of tickets, entertaining, previews, seminars, tours, teaching, family days, free entry and discounts.

For charitable organisations that wish to claim gift aid on donations from major donors, the list of associated benefits can limit the gift aid to the charity and the tax advantages to the donor. Professional advice should be sought to determine whether gifts and benefits affect gift aid.

Corporate supporters are usually looking for significant marketing, brand and accreditation benefits from their sponsorship or partnership. Sponsorship of this kind can result in considerable VAT and direct tax liabilities for charities. The complexities of these issues means that it is always worth seeking professional advice about all the commercial aspects of the relationship.

Rewards-based crowdfunding

For new creative ventures and projects – and those that might be too small for the types of corporate support outlined above – rewards-based crowdfunding has emerged in the past few years as another potential route to development funding.

It is not to be confused with equity crowdfunding or with peer-to-peer lending (see pages 25–26).

Rewards-based crowdfunding is effectively a donation towards the development of a new project, technology or performance. The funder might have a limited say in how that is developed, but might be part of the testing and validation of the new thing.

Funders will not receive a financial return, but will instead be rewarded with, for example, taking part in a first run, seeing a first show, receiving a first product or even beta testing a game or trying out a prototype.

It is estimated that rewards-based crowdfunding in the UK was worth £26m in 2014.¹⁹

Rewards-based crowdfunding platforms, such as Kickstarter, Indiegogo and Crowdfunder.co.uk have become popular amongst some in the creative industries, and can work particularly well for technology-based and fan-based activities that require low levels of capital investment at the development stage – such as digital games, music, art projects, inventions and even the revival of table-top board games.

Social enterprise

Social enterprises are organisations whose primary goals are to address social problems, help communities and support education, health or the environment. The aim of many of the organisations is to re-invest any profits in the social enterprise or in the community they are serving.

Social enterprise is not defined as a legal entity in the UK. Social enterprises can be structured as, for example, charities, non-charitable companies, co-operatives or community interest companies (CICs).

There are many creative and cultural organisations that have non-commercial aims and that are therefore formed as social enterprises. They include many organisations that have their origins or roots in the public sector or as charities.

Sources of finance for social enterprises are as many and as varied as the types of enterprise and can include government grants, National Lottery funding, co-operative funders, community development finance institutions (CDFIs) that specialise in lending to social enterprises, and other social impact and social enterprise investors, such as venture philanthropy.

Social enterprises can also benefit from social investment tax relief (SITR), which has been designed to encourage individuals to support such organisations, and includes significant potential deductions in income tax and deferral of capital gains tax.

Find out more

- [gov.uk/set-up-a-social-enterprise](https://www.gov.uk/set-up-a-social-enterprise)
- socialenterprise.org.uk/advice-services/topic/finance
- inspire2enterprise.org
- cdfa.org.uk

Cecilia Noble as Maria in
Twelfth Night, 2012. Photo
by Keith Pattison © RSC



Individual giving

Charitable donations and gifts made by individual members of the public are still the mainstay of most philanthropic funding in the creative industries.

The most recent Arts & Business survey (2011/12) found that individual giving accounted for about 56% of the total £660.5m of philanthropic income, compared to 26% from trusts/foundations and 17% from business.²⁰

But many development specialists in the creative sector think that individual giving could play an even a bigger role.

Charities in general are now using more sophisticated marketing and contact methods across all media to encourage individual giving, as well as more traditional charity collections, fundraising by volunteers, and events and social activities.

For creative performance and screen organisations that have charitable status, ticket buyers can be an important source of support by means of the donations that they generously add to their ticket purchases (often including gift aid).

The National Audit Office (NAO) has estimated that, across all charitable organisations, there were £2.3bn of donations where gift aid was not used, according to a 2014 government report – although it has also been pointed out that not all of these donations would have been eligible for gift aid, and that it might not be practicable for charities to claim it all.²¹

New technology, such as ‘e-giving’, is also helping fundraisers and development directors.

For example, the National Funding Scheme (NFS) is a charity established in 2013 with the support of the UK government, NESTA, Arts Council England, Arts Council Wales, Creative Scotland, and the Paul Hamlyn and Garfield Weston foundations to help ‘mobile giving’ to charities, by making it easier for individuals to contribute when in a gallery, a theatre or a park, for example, when they see the NFS’s ‘Donate’ sign.

It also manages gift aid claims on behalf of partner charities, from which it takes a 45% commission to fund running costs (or 2.5% of the donation if no gift aid has been included).

The NFS was originally devised for the arts sector, but now any organisations with a charitable purpose can register. Organisations can tailor, manage and administer their use of the service via a self-service portal, meaning that they retain control. There is a small, refundable joining fee, which is cancelled if organisations raise a certain amount using ‘Donate’ within six months.

Find out more

- nationalfundingscheme.org

There has also been a great deal of innovation in how organisations extend their relationships with individual donors and develop long-term patronage.

Many organisations describe individuals who regularly donate or act as volunteers as ‘friends’ or ‘members’. This can include special access to the organisation, exclusive visits, special invitations to events, advanced booking facilities and discounts. For larger donations, it might even include naming rights on new facilities, meetings with artists or performers, special previews, tours or seminars.

Many large creative organisations have also formed advisory boards, committees or ‘directors’ circles’ to involve their biggest donors (ie, those who are typically donating upwards of tens of thousands of pounds per year), partly to facilitate support and introductions to other wealthy donors and corporate partners.

Again, any benefits that are linked to the donation may affect entitlement to gift aid. Charities should seek professional advice about benefits provided to donors.

Gift aid

Gift aid has become an important part of funding for the UK’s voluntary and charitable sector. Subject to certain conditions, a charitable organisation can claim back the tax that an individual would have paid on a donation, at a rate of an extra 25p for every £1 donated (assuming a basic rate 20% tax payer has paid 25p in tax for every £1.25 gross earnings).

Some organisations have utilised the government’s payroll giving scheme. This enables employees to give to a charity straight from their gross salary (before tax is deducted). It therefore allows the donor to give more for less, gives the charity access to a reliable income stream and provides an employer with the opportunity to develop CSR. According to HMRC, 1.12m employees took part in the scheme in 2013/14, donating a total of £134m between them.²²

Find out more

- gov.uk/donating-to-charity/gift-aid

Gift of shares or other financial assets is a related tax break to encourage individual giving. Shares or securities donated in an HMRC-approved way can be eligible for income tax relief (40% or 45% for higher-rate taxpayers) on the value of the shares, as well as exemption from capital gains tax (18%, or 28% for higher rate tax payers).

Tax affairs can be complicated for some individuals and many other factors may influence their tax liability – in which case they should always get advice from a chartered accountant or other professional tax adviser.

Legacies

Legacies – cash or gifts bequests made in a will – are significant sources of income for many charities and voluntary organisations. According to the Institute of Fundraising, they make up 15% of the UK's charitable income, although much of this flows to the biggest organisations. Charities could raise as much as £12.5bn from legacies over the five years from 2015, although only a small proportion of this is likely to go to arts and culture.²³

Legacies are themselves exempt from all tax, including inheritance tax, which is 40% for any inheritance value above the £325,000 nil-rate band. In addition, if at least 10% of a person's estates are left to charity, the rate of inheritance tax charged on the remainder is reduced from 40% to 36%. When the Chancellor of the Exchequer, George Osborne, announced this relief in 2011, he said it could become worth £300m a year to the charitable sector.²⁴

The aim was to stimulate a culture of 'planned giving', as it is known in the United States, for example, where some wealthy people include sizeable legacies of cash, property, business or financial assets as part of their tax planning on behalf of themselves and their families.

The Institute of Fundraising points out that because legacy fundraising can be very sensitive, great care should be taken by development teams to observe best practice.²⁵

Find out more

- institute-of-fundraising.org.uk
- rememberacharity.org.uk

Endowments

Many UK universities, colleges, hospitals and schools, as well as cultural institutions, have benefited from endowments, including in the form of scholarships and bursaries.²⁶ These are gifts or legacies of permanently-invested funds.

The endowment fund's trustees (sometimes acting through an investment committee) will set and monitor a target return rate with the fund's investment managers, who are themselves usually external to fund. This target return rate might typically be a few per cent, depending on economic circumstances and the fund's budget. The aim is to create a steady, sustainable flow of income that can help beneficiary organisations to manage their own finances.

Endowments are another common feature of 'planned giving' by the wealthy in the United States, where earnings from very large endowments can cover a big chunk of annual operating budgets.

Again, there are significant tax advantages to the donor of an endowment, which is a complex area and requires specialist professional advice about tax planning.

Endowments can be complicated, involving long-term investment, rates of return and management costs, and requiring specialist financial skills amongst executive boards, trustees, finance departments and development teams.

Catalyst was a £100m initiative to stimulate private giving to cultural organisations. It was launched in 2012 by the Department for Culture, Media & Sport, Arts Council England and the Heritage Lottery Fund.²⁷

Arts Council England's £68m part of the Catalyst programme has helped more than 400 organisations to either establish an endowment, build capacity to fundraise for new money, or work together to build capacity and fundraising skills for the first time.

It included a £30.5m tier that provided matched-funding grants of between £500,000 and £5m each to 18 arts organisations, to help them establish endowment funds.

Find out more

- artscouncil.org.uk/advice-and-guidance/browse-advice-and-guidance/catalyst-evaluation-year-one

5. Private capital

More options for business finance

A few decades ago, the only ways of raising capital for a new business or venture in the UK would have been from personal resources, from the profits of an existing enterprise, from a government grant, from a bank, or from private investors you knew.

But while good personal connections – and personal wealth – are still a big advantage when launching a new venture, other routes to raising finance for business growth have increased in variety and number.

Banks have always been relatively risk averse, and some might even tend to steer clear of creative ventures. But other, ‘alternative’ lenders have emerged – and a bigger variety of equity investors too – for businesses of all sizes.

The creative industries have been a lively sector for investment deals, mergers and acquisitions (M&A) in the UK. There were more than 70 significant company transactions, worth a total of £3.9bn in 2014, according to research by ICAEW’s Corporate Finance Faculty and Experian’s Corpfin team.²⁸

Whatever source of finance you seek for a creative business, there are a number of things investors or lenders will look for:

- confidence in the business model – and the business plan;
- information about the business, its development and planned investment;
- appropriate risk profile – against the return backers want to see on their investment;
- strong, commercially driven management team; and
- control or influence on the strategy, for example, via a seat on the board.

Due diligence

Investors and lenders who are making material investments will usually hire accountants and legal advisers to check the financial state, structure, constitution, accounting policies and contractual position of the business. This process is known as ‘due diligence’.

Due diligence helps funders to understand the risks and potential of the business, and to negotiate with the organisation regarding anything that causes them particular concern. The level of sophistication involved depends on the type of finance, the size of the investment, and the level of detail requested by the finance provider.

The British Business Bank

The British Business Bank, the UK’s first economic development bank, has a central role in ensuring that financial markets for entrepreneurial and growing companies are effective, enabling them to access the finance they need to fund their expansion. Its programmes are supporting £2.4bn of finance to tens of thousands of smaller businesses, and it participates in a further £3.3bn of funding for small mid-cap companies.

The British Business Bank does not invest in or lend directly to companies. Instead, it works alongside more than 80 partner organisations that make direct investments or loans.

ICAEW and the British Business Bank, supported by 17 other business and finance representative organisations, have published *The business finance guide*. It is the first comprehensive (and free) guide to sources of equity and debt finance for companies, from start-up to growing mid-sized enterprises. It has already reached more than three quarters of a million UK businesses, entrepreneurs, advisers and funders.

The British Business Bank expects to announce very shortly a new Enterprise Capital Fund that will be invested in innovative businesses in the creative industries.

Find out more

- british-business-bank.co.uk
- icaew.com/bfg
- gov.uk/business-finance-support-finder

‘There are some great businesses in the creative sector in the North of England and some great opportunities now for investors. The broader commerce, media and technology coming out of the sector feed the broader economy.’

Andy Ball, Chief Investment Officer,
NorthEdge Capital



Equity finance

The first shareholders in a private business or limited company are likely to be its founders and backers from 'friends and family' or existing business associates.

New businesses may well raise risk capital (known as seed or start-up capital), from the sale of shares. Growing businesses at a later stage might then issue new or existing shares to business angels, crowdfunders, venture capitalists, and, if they are well-established, to private equity firms, or by listing the company's shares to be traded on a stock market.

Equity investors in ordinary shares do not have a right to interest payments or to have their capital repaid by a particular date. Instead, if the business has been successful, their return comes from dividends paid out of profits or from a capital gain on the sale of the shares to other parties. Dividends are the discretionary share of annual profits not retained by the company.

Equity investors are taking more risk than lenders, so will typically seek a return that is significantly higher than normal interest rates charged by banks.

A private company can also have different classes of shares, with different voting rights, dividend rates, priorities over dividends and proportions of new shares issued.

Central to all this is the valuation of shares. This can be more or less complex, depending on the level of sophistication of the business, its market, its base of shareholders, and if and how its shares are traded.

Organisations that are raising funds from private investors must comply with the law on 'financial promotions' and with prospectus rules of the Financial Conduct Authority. The approval of HMRC may also be required in order to benefit from tax incentives for investors (see pages 32–33).

Accelerators

There are now many business accelerators across the UK. These can be a very valuable route for start-ups. There are many different types of accelerator – often supported by the EU, national or local government, academic organisations and large companies.

The accelerator provides expert advice, mentoring, practical and technical support to groups of new ventures over several months, worth several or many thousands of pounds, in return for a small percentage of the equity. Some accelerators invest equity capital or convertible loans, some do not. Others take an option to buy an equity stake in the future.

Getting a place on the programmes of the most popular and prestigious accelerators can itself be a big achievement and form of accreditation.

Incubators are close cousins of accelerators, mainly in science and technology. These 'co-working spaces' help people to advance their research and develop concepts into commercial projects, whether they have been independently developed by entrepreneurs or spun out of academic, government or commercial organisations.

Some UK accelerators are run by City institutions or by big organisations, such as Telefonica (Wayra), Microsoft or the BBC. Research suggested that in 2014 there were 162 accelerators, incubators and other co-working spaces in Greater London alone.²⁹

Business angels

Many people in the creative sector will be familiar with theatre angels. After all, wealthy individuals have been a mainstay of financing new theatrical productions for centuries – and often have a big role in the commercial spin-outs, transfer or tour of a show today.

Business angels are individuals who back growth companies at a start-up or an early stage, in return for an equity stake. There are many thousands of people across the UK who finance high-risk ventures, whether as individuals or as part of angel networks or syndicates.

Businesses in discussion with potential angel investors should look for what motivation, commercial experience and contacts the angel(s) can bring, as well as the financial terms of the investment. The business should also take great care that an angel is someone they can work well with over a long time, because the business angel will own a substantial stake in the venture alongside the founders.

Because of the rules about 'financial promotions', angel investors need to be self-certified as either 'sophisticated investors', depending on their financial and commercial experience, or as 'high net worth', based on their personal wealth.

The British Business Bank supports a Business Angel Co-Investment Fund (AngelCoFund) that invests alongside syndicates of business angels in ventures that have significant growth potential.

Find out more

- ukbusinessangelsassociation.org.uk
- lincscot.co.uk
- angelcofund.co.uk

Equity crowdfunding

Equity crowdfunding has become a high-profile and vociferous part of the UK's start-up environment over the past few years – often closely associated with angel investing. It was worth £84m of UK investment in 2014, according to NESTA.³⁰

Unlike rewards-based crowdfunding (see page 22), which is usually based on donations and goodwill support, equity crowdfunding involves networks of small investors backing early-stage businesses via online networks whose primary motivation is a financial return. Consequently, it is regulated as investment business, so professional legal advice is crucial.

Private capital: know your options

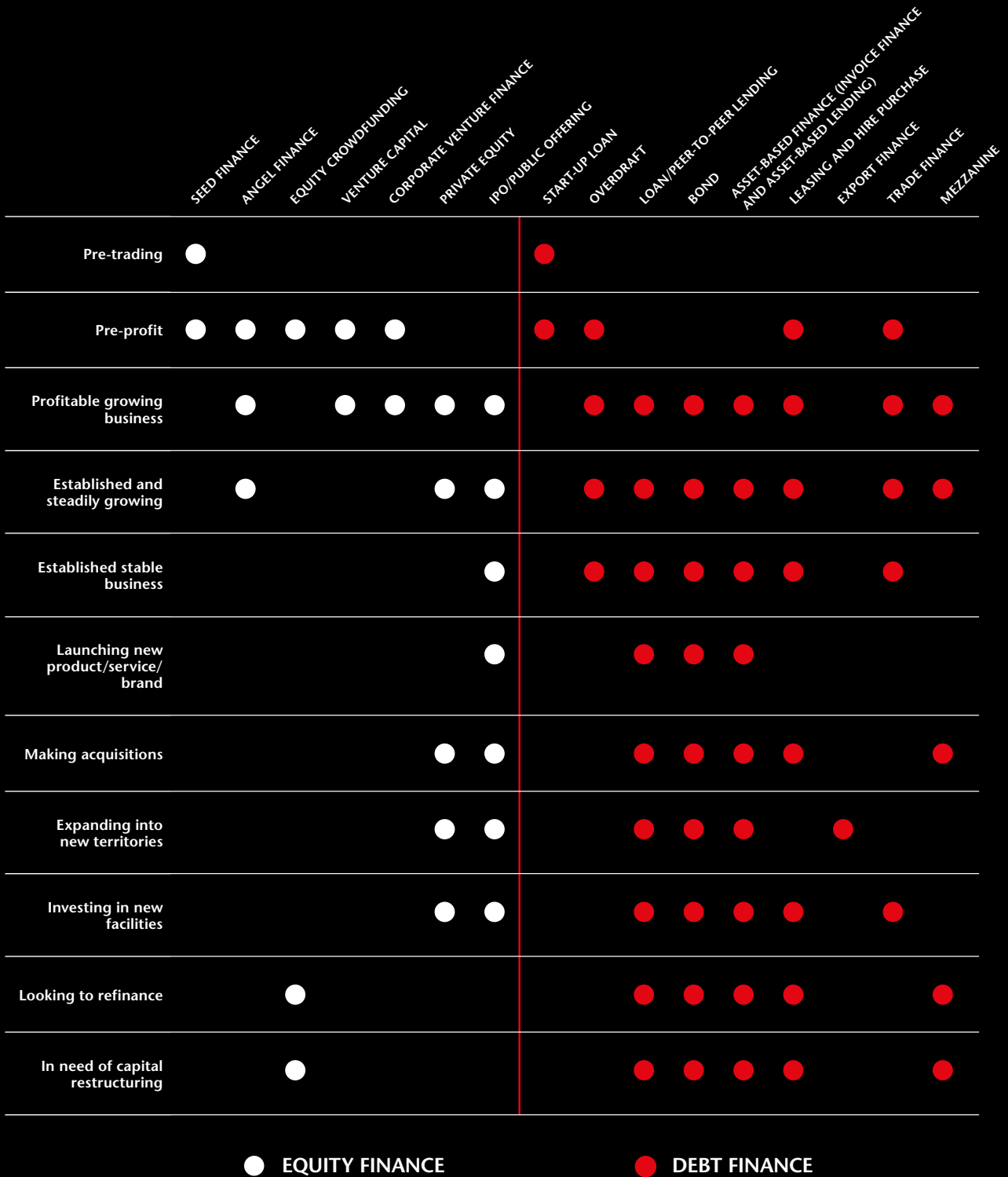


Chart reproduced from *The business finance guide* – icaew.com/bfg.

‘Creative organisations benefit greatly when challenged by their professional advisers – both external and on their boards. This is particularly true when new approaches to decision making and strategic planning might create the ability to commercially exploit opportunities that arise.’

Vikki Heywood CBE, Chairman, The RSA



Equity crowdfunding can be very high-risk and speculative for the entrepreneurial businesses seeking funding and for private investors. It has also been boosted by some high valuations of digital and social media ventures that may turn out to be unsustainable.

There are now many equity crowdfunding platforms in the UK and it has become a vibrant source of finance for some creative ventures. For example, TIGA, an independent association for games developers, found that 62% of the companies it surveyed in 2014 had used significant external finance, of which 11% had turned to equity crowdfunding.³¹

Businesses that go down this funding route need to ensure that it complements other types of finance that they will need, whether grants, lending or equity finance, and that all different types of backers can work well together. They also need to prepare for the increased public attention – including, potentially, media and social media – that their first steps in raising money publicly might well attract. Good communications are vital.

Find out more

- ukcfa.org.uk

Venture capital

Venture capitalists (VCs) are professional investors in early-stage, unlisted ventures – mainly in knowledge-based, high-tech or digital/online sectors – who manage formal investment funds that they have raised from financial institutions, companies and wealthy individuals.

VCs will typically seek very high returns (for example, an effective annualised return rate of 60%, or ten times their investment in five years) by backing ventures that have extremely high – and usually global – growth potential. They will also invest across a portfolio of ventures in order to compensate for the risk profile of many ventures that will fail, by ensuring some ‘winners’ that will take off and generate follow-on rounds of funding, and, ultimately, huge financial returns.

VCs will look to make their returns from the successful sale of a company to another corporation, to other VCs or private investors, or via an initial public offering (IPO) – that is when the company floats its shares on a stock market.

Many VCs (including the corporate venture investment arms of major multinational companies) will only back sophisticated management teams who have very distinctive technologies in very fast-growing sectors, often with the potential for rapid global expansion. The VCs will undertake extensive due diligence (see page 26). They will also seek to take significant, if not controlling, equity stakes in the ventures they back.

VCs primarily invest equity in young companies in return for a significant part ownership of a business that they perceive has exceptional growth prospects. VCs are therefore highly engaged and informed investors who provide substantial advice and governance to the entrepreneurial management team as they grow the company and move towards what they hope will be a successful exit.³²

Find out more

- bvca.co.uk/privateequityexplained
- british-business-bank.co.uk/become-a-partner/enterprise-capital-funds

Private equity

Private equity – whereby investment institutions back growth-capital deals or buyouts of businesses, usually with the goal of rapid expansion – has become a huge, mainstream form of finance across the world. It is particularly well known for management buyouts (MBOs).

Deals can range from a few million pounds to many billions, so they generally feature profitable, well-established businesses. By contrast, private equity investors that focus on development capital deals (also known as growth capital) deals may take minority stakes rather than taking over a company.

Many people associate private equity with big corporations. But more than 80% of the 5,500 companies financed by private equity in Europe in 2014 were small or medium-sized.³³

Private equity investors are highly professional, sophisticated and demanding in their focus on the returns they hope to make from their investments – with annual returns targets that can range from the low teens to over 30%. They are also very effective at using debt and alternative investment instruments in companies’ capital structures in order to boost their equity returns.

Therefore, they focus on markets with robust, sustainable business models, consistent growth, demonstrable profitability, and they seek to back highly sophisticated, hard-working management teams. Many private equity investors regard some creative businesses as particularly high-risk, so their due diligence is likely to put intellectual property rights and content ownership under significant scrutiny. They are generally unlikely to back businesses whose track record relies on one or two successful projects or ‘big hits.’

They will also focus on exiting their investment at some point within a few years – either from a sale to another business, a further buyout of their shares by the management team and/or another private equity firm, or by floating the company on a stock market.

Find out more

- bvca.co.uk/privateequityexplained
- evca.eu
- icaew.com/privateequity

Stock markets

Companies that are worth at least several millions of pounds – if not far more – and that are fast growing or steadily profitable, often consider listing their shares on a stock exchange (sometimes known as ‘going public’).

In the UK, this might include the Official List of the UK Listing Authority (often referred to as the ‘Main Market’) if the company is valued in the tens or hundreds of millions, or the Alternative Investment Market (AIM) of the London Stock Exchange, or the ICAP Securities & Derivatives Exchange (ISDX) for smaller companies.

The purpose of listing the shares via an initial public offering (IPO) might be to raise new capital for expansion and acquisitions, to provide an exit route for some existing shareholders in the company, and to provide a ‘liquid’ market in existing and new shares.

New investors in a listed (or ‘quoted’) company typically include institutional fund managers who are investing on behalf of large financial groups – such as banks, insurance companies, pension funds and wealthy families and individuals.

Listed companies have to be very transparent about their operations and management (including directors’ remuneration), have very good corporate governance, including strong boards and experienced non-executive directors, and abide by the considerable additional legal and financial regulatory requirements of being publicly listed.

These requirements vary depending on which public market the company is listed, but companies will need to invest a significant amount of time and money in obtaining expert advice from sponsors or nominated advisers, brokers, reporting accountants, lawyers, tax advisers, and in investor relations.

Tax incentives for individual investors in growing companies

Successive UK governments have created a system of tax incentives for individual investors in qualifying innovative start-ups and growth companies.

The Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS) each provide very substantial income tax and capital gains tax reliefs for investors in companies that, for EIS, have up to 250 employees and up to £15m gross assets, and for SEIS up to 25 employees and up to £200,000 in gross assets. These reliefs have become a big part of business angel and venture capital investing in the UK, because they are perceived as relatively risky forms of investment. New rules on government venture capital schemes introduced in the July 2015 Budget have placed even more emphasis on ‘knowledge-intensive companies.’

Growing companies with assets of up to £30m can offer employees share options worth up to £250,000 with considerable tax breaks via Enterprise Management Incentives (EMI).

Find out more

- hmrc.gov.uk/seedeis
- hmrc.gov.uk/eis
- eisa.org.uk

Tax reliefs for creative companies

Over the past decade, UK governments have introduced creative industry tax reliefs. These reliefs allow companies to claim substantial deductions in (or tax credits against) corporation tax for some of their investment in new production.

In order to ensure that these reliefs are applied to genuine creative industries production (and are not simply used to avoid tax), there are several strict requirements for eligibility for each relief.

For example, film productions, TV programmes and video games must pass a ‘cultural test’ to qualify as British (see page 17 about the BFI’s Certification Unit). Only certain types of productions are eligible and relief only applies to certain expenditure (pre-production, principal photography, shooting, design, animation and post production). Advertising and marketing productions are specifically excluded.

Film Tax Relief

Film production companies can claim corporate tax relief of up to 25% of core expenditure in the UK, up to a cap of 80% of total core expenditure. This means that for a production where 80% or more of the total core expenditure is incurred in the UK, the payable tax relief will cap at 20% (25% of 80%) of the total core expenditure. At least 10% of the core expenditure must be in the UK in order to qualify for the tax relief.³⁴

High-end Television Tax Relief

TV production companies can claim corporation tax relief on high-end productions of dramas, comedies or documentaries intended for broadcast (some types of TV programmes are specifically excluded). Companies can claim tax relief of up to 25% of their core expenditure in the UK, up to a cap of 80% of total core expenditure. This means that for a production where 80% or more of the total core expenditure is incurred in the UK, the payable tax relief will cap at 20% (25% of 80%) of the total core expenditure. To qualify, programmes must make at least 10% of the core expenditure in the UK, have average qualifying production costs per broadcast-slot hour of no less £1m, and have a broadcast slot of longer than 30 minutes.

From April 2015, tax reliefs were extended to children’s television production, with a relief of up to 25% of core expenditure per cent. The £1m per programme-hour threshold and the 30 minute slot length for high-end TV programmes (above) does not apply to children’s TV.

Television Animation Tax Relief

Television Animation Tax Relief applies to productions intended for broadcast (including online), if at least 51% of the total core expenditure is on animation and at least 10% of core expenditure is in the UK. Corporate tax relief is applied up to a cap of 80% of total core expenditure. Where 80% or more of the total core expenditure is incurred in the UK, the payable tax relief will cap at 20% (25% of 80%) of the total core expenditure.

Video Games Tax Relief

Corporate tax relief of up to 25% can be claimed on video games production, up to a cap of 80% of total core expenditure. At least 25% of qualifying expenditure must be made in the European Economic Area (EEA, which includes the UK). The game must be intended for commercial release. Tax relief will cap at 20% (25% of 80%) of total core expenditure.

Theatre Tax Relief

Professional theatre and ballet companies can claim corporate tax relief 25% on qualifying costs for touring productions, and 20% for other productions, on expenditure on goods and services that are provided from within the EEA up to a cap of 80% of total core expenditure. For a touring production where 80% or more of the total core expenditure is incurred, tax relief will cap at 20% (25% of 80%) of total core expenditure. For a non-touring production where 80% or more of the total core expenditure is in the EEA, tax relief will cap at 16% (20% of 80%) of total core expenditure. 'Core expenditure' excludes financing, marketing, legal services and storage costs.

Orchestra Tax Relief

The UK government is also introducing an orchestra tax relief from April 2016, with tax relief at a flat rate of 25% for touring and non-touring performances. Relief will apply to all musical ensembles of at least 12 performers, and the instruments must be drawn from one of the traditional orchestral groupings of, string, woodwind, brass or percussion. Full details of the legislation were not yet available at the time of publication.

Find out more

- gov.uk/corporation-tax-creative-industry-tax-reliefs
- bfi.org.uk/film-industry/british-certification-tax-relief

Debt finance

Debt is the most common way of financing businesses. It can include lending for working capital, for business growth, or for longer term investment.

Bank loans and overdrafts are still at the heart of most business borrowing. A good, supportive relationship with a bank is important for all organisations. Many banks have specialist teams to support smaller and medium-sized enterprises (SMEs). A few even provide some specialist support for business sectors, such as the creative industries.

Bank debt can be a cost-effective way to raise money for investment, because lenders do not require equity stakes in the businesses. In the right circumstances, it will therefore be an appropriate and cost-effective way to finance a creative organisation's growth.

But lending by mainstream banks is not always easily available – or always suitable – for some arts and creative organisations. This is particularly the case for start-ups that have no demonstrable track record of sustainable profit or cash generation with which they could service the debt.

Even for loss-making businesses, debt might be available – when it is commonly known as venture debt. This is a specialist market and there are only a few banks advancing such debt facilities. They will each have their own specific lending requirements. These might include clearly identified intellectual property (usually patents, patents pending or proprietary software) owned by the business, a minimum annual turnover and/or minimum amount of equity invested in the business compared to the debt required.

Given that a debt provider will view lending to loss-making companies as higher risk than profitable businesses, venture debt is more expensive than traditional loans (although generally cheaper than equity investment – see pages 28–32). A loan may therefore include the bank taking a share in any future success of the company by means of a warrant. A warrant is a right to purchase a percentage of the shares in the company at a pre-determined price on or before a pre-determined date.

Most lenders ask for first-ranking security on the business in the event that it fails, in order for the bank to try and recoup as much of the debt investment as possible. Some banks may ask business borrowers to make personal guarantees and put up personal assets as security against loans.

Many lenders also provide asset-based finance, including factoring and invoice discounting, to support the working capital of businesses that have large numbers of trade creditors. Traditionally, this has been more common in manufacturing, retail and services, and far less so in the creative industries.

Loans for early-stage businesses

Start Up Loans is a government scheme, overseen by the British Business Bank, to provide advice, loans and mentoring to startup businesses.

Loans of up to £25,000 are available at a fixed interest rate of 6% p.a. for businesses that are less than 24 months old. It is important to remember that start-up loans are provided by financial institutions ('delivery partners') as personal loans. Therefore, the borrower is personally liable for the repayment plan that she or he has agreed to with the lender.

The 'delivery partners' include a large number of start-up lending, not-for profit, training and regional development organisations across the UK. Applications have to be submitted online via the Start Up Loans website.

Find out more

- startuploans.co.uk

The Creative Industry Finance programme, launched in September 2014 following a two-year pilot, is supported by Arts Council England and delivered by Creative United.

It links creative businesses with loans ranging from £2,500 to hundreds of thousands, which are provided by lending partners Hitachi Capital, Big Issue, The Key Fund, Triodos Bank, the CDFA, Fredericks Foundation, London Small Business Centre and RateSetter. Several of these are social investors (see page 23).

To be eligible, companies must have been trading for at least 18 months, be based in England, and operate in one of the creative sectors.

Find out more

- creativeindustryfinance.org.uk

Peer-to-peer lending

Peer-to-peer lending (P2P) is a fast-growing type of finance for young companies, individual borrowers and private lenders, already worth £1.3bn in the UK by 2014, equivalent to about 2.4% of banking to SMEs. It can be a quick way of raising small amounts, but there are a number of risks for borrowers and lenders.³⁵ The minimum loan size is small, which also encourages many borrowers and lenders.

There are now many online platforms in the UK to match lenders with borrowers. These involve rapid, computerised checks on accounts and credit checks.

P2P lending is regulated by the Financial Conduct Authority. The FCA requires peer-to-peer lenders to have minimum operating capital requirements, meet client money requirements and adhere to a disclosure-based regime.

Find out more

- p2pfa.info

Asset finance

When buying equipment, machinery, or vehicles, an organisation might choose to lease it, especially if the asset needs to be frequently upgraded and the organisation wants access to state-of-the-art equipment, but cannot afford to buy it outright.

Asset finance is secured against the asset being financed. This also enables companies to preserve their cash for other business activities whilst also meeting their capital expenditure requirements. As with all forms of borrowing, the organisation should budget its repayments carefully, and ensure that asset finance is genuinely more cost-effective than raising a term loan or buying equipment outright.

Find out more

- fla.org.uk/asset

Bonds

Large companies might be able to borrow money by issuing bonds – debt securities, bought and sold on a market – to investors.

International bonds markets are in fact bigger than many equity stock markets. But the bulk of this activity involves very large companies and financial institutions. Small and medium-sized companies do occasionally raise bonds (or 'mini-bonds'), if they have relatively secure assets and/or income streams.

Specialist finance for film and TV

A number of banks and financial institutions provide specialist lending to film and TV production companies. For individual projects, this is commonly in the form of 'pre-sales discounting', whereby a lender provides advances against UK and/or international distribution agreements, or, in the case of TV, against a broadcaster's commissioning contracts. This may also include advances against anticipated UK tax-credit receipts, and 'gap' or 'deficit' loans against anticipated receipts from distribution territories that are not pre-sold. Some lenders provide working capital against merchandising or IP rights deals.

For information about the BFI's financial support for film distribution and exports (see page 16). For a summary of the UK's Film Tax relief and TV tax reliefs (see pages 32–33).

Other government enterprise support

Depending on where in the UK your business is based, there may well be additional local, regional and national government support available, whether in the form of advice, practical support, grants or loans.

Local chambers of commerce are excellent places to start if you want to see what support you can access in the creative industries.

Enterprise zones in 24 areas of England provide big discounts on business rates, additional capital allowances on investment, and other business technical and financial support.

There are now also 39 Local Enterprise Partnerships (LEPs) across England. These are partnerships between businesses and local authorities to determine economic and employment priorities, including practical and financial support.

Find out more

- britishchambers.org.uk/find-your-chamber
- enterprisezones.communities.gov.uk
- lepnetwork.net

Wales and Scotland each have sizeable economic development agencies that provide finance and support and investment for enterprise, innovation and business investment.

Find out more

Scotland

- scottish-enterprise.com
- hie.co.uk

Wales

- financewales.co.uk

'The creative industries are a powerhouse of growth for the UK economy, especially in the SME space. We consistently see a wealth of domestic talent and ventures emerging from the sector.'

Bruce Macfarlane, Managing Partner,
MMC Ventures

References

1. Department for Culture, Media & Sport, *Creative Industries Economic Estimates January 2015* and *Creative Industries 2015: Focus on Employment*, June 2015, which summarise the most recent data, from 2013.
2. Portland Communications, *The Soft Power 30*, July 2015.
3. J. Neelands, E. Easton and T. Robles, *How public investment in the arts contributes to growth in the creative industries*, Creative Industries Federation, July 2015.
4. Centre for Economics & Business Research, *Contribution of the arts and culture to the national economy*, Arts Council England, July 2015.
5. Department for Culture, Media & Sport, *Creative Industries Economic Estimates*, January 2015 and *Creative Industries 2015: Focus on Employment*, June 2015.
6. Creative Industries Council, Access to Finance Working Group Report, December 2012; and Creative Industries Council, *Create UK* report, July 2014.
7. Cited in 'UK tops soft power table despite China's cultural blitz', The Royal Institute of International Affairs, July 2015 (web).
8. J. Neelands, E. Easton and T. Robles, *How public investment in the arts contributes to growth in the creative industries*, Creative Industries Federation, July 2015.
9. Centre for Economics & Business Research, *Contribution of the arts and culture to the national economy*, Arts Council England, July 2015.
10. UK government spending reviews 2010 and 2013 and DCMS bodies' settlement letters
11. J. Neelands, E. Easton and T. Robles, *How public investment in the arts contributes to growth in the creative industries*, Creative Industries Federation/ Centre for Economics & Business Research, July 2015.
12. See, for example, the programmes of Innovate UK, the Digital R&D Fund for the Arts (managed by NESTA), and the Digital Catapult national centre.
13. For an informative, critical account, see Robert Hewison, *Cultural Capital: the Rise & Fall of Creative Britain*, Verso, 2014.
14. Arts & Business, *Private Investment in Culture Survey 2011/12*.
15. Charities Aid Foundation, *UK Giving 2014: an overview of charitable giving in the UK during 2014*, April 2015.
16. Charities Aid Foundation, *Give Me A Break: why the UK should not aspire to a 'US-style' cultural giving*, February 2014.
17. See, for example, 'UK charities set to lose millions after VAT ruling', *Financial Times*, 17 July 2015.
18. Department for Culture, Media & Sport, 'Culture Secretary announces action plan to boost philanthropy', 20 February 2012 (press release).
19. P Baeck, L. Collins and B. Zhang, *Understanding Alternative Finance*, NESTA/University of Cambridge, 2014.
20. Arts & Business, *Private Investment in Culture Survey 2011/12*.
21. HM Treasury, 'Government to stop charities losing out on Gift Aid', 17 November 2014 (press release); HM Revenue & Customs, *Gift Aid: understanding donor behaviour*, HMRC Research Report 344, 2014.
22. HMRC, *Payroll Giving Schemes*, 2014 (national statistics).
23. 'Charities will raise £12.5bn from legacies in the next five years', Legacy Foresight, 19 May 2015 (web).
24. Department for Culture, Media & Sport, 'Chancellor announces tax breaks for philanthropists', 23 March 2011 (press release).
25. Institute of Fundraising, *Code of Fundraising Practice* (online).
26. 'Oxford University's books are looking good as it raises £2bn', *The Guardian*, 12 May 2015.
27. See: www.artscouncil.org.uk/funding/apply-funding/funding-programmes/catalyst-arts/.
28. Shaun Beaney, 'Creative ferment', *Corporate Financier*, June 2015
29. URS/Ramidus/#1 Seed/Gort Scott, *Supporting Places of Work: incubators, accelerators and co-working spaces*, Greater London Authority, 2014.
30. P. Baeck, L. Collins and B. Zhang, *Understanding Alternative Finance*, NESTA/University of Cambridge, 2014.
31. Games Investing Consulting/TIGA, *Sources of Funding: the sinews of business*, 2014.
32. The British Private Equity & Venture Capital Association (BVCA) publishes detailed annual statistics about the investment activities and trends of its members.
33. European Private Equity & Venture Capital Association, *European Private Equity Activity*, 2014.
34. HMRC reported that the total production expenditure of films claiming film tax relief between launch of the relief January 2007 and March 2014 was £7.8bn (of which 72% spent in the UK), with £1.2bn of relief claimed by over 1,000 productions. (HMRC Monitoring Summary, August 2014).
35. NESTA, 'Big and small funders learning to play together', 7 July 2015 (website).

Contributing individuals and organisations



Royal Ballet Dancer
Deirdre Chapman as Fairy
of the Woodland Glade in
The Sleeping Beauty, 2011.
Photo by Johan Pearsson
© ROH

‘Creativity has come to be the most highly prized commodity in our economy – and yet it is not a commodity. Creativity comes from people.’

Richard Florida,
The Rise of the Creative Class

The authors would like to thank the following interviewees and contributors for sharing their considerable expertise and many ideas for the creation of this guide.

Janet Archer	Chief Executive, Creative Scotland
Dawn Ashman	Director, Creative Industries, Arts Council England
Harriett Baldwin MP	Economic Secretary to the Treasury
Andy Ball	Chief Investment Officer, NorthEdge Capital
Mike Bartley	Deputy Director, Creative Economy Team, UK Trade & Investment
Marion Bernard	Regional Director, London & South East, Business Growth Fund
Johanna Bolhoven	Senior Strategy Executive, Creative England
Jonathan Boyers	Head of Corporate Finance, North of England, KPMG
Richard Booth	Knowledge Transfer Manager, Knowledge Transfer Network
Stephen Bristow	Head of Business Development, Film & TV, Saffery Champness
Tom Campbell	Programme Manager, Creative Industries, Knowledge Transfer Network
Fiona Cookson	Director of External Affairs, BFI
Ken Cooper	Managing Director, Venture Capital Solutions, British Business Bank
Sachin Date	Partner, Transaction Advisory Services, EY
Giles Derry	Partner, Dunedin
Jessica Dickinson	Policy Adviser, CBI
John Durkan	Sector Manager, Creative Industries, UK Trade & Investment
Eliza Easton	Policy & Research Manager, Creative Industries Federation
Ceri Edwards	Director of Policy & Communications, Institute of Fundraising
Ron Emerson	Chairman, British Business Bank
Melanie Eusebe	Member of the Board, Creative Industries Federation
Will Evans	Director of Business Affairs, BFI
Matthew Fell	Director for Competitive Markets, CBI
Lucy Fergusson	Corporate Partner, Linklaters
Harriet Finney	Head of Policy, Creative Industries Federation
David Fisher	Investment Director, Edge Investments
Clive Gillman	Director of Creative Industries, Creative Scotland
David Glick	Founder and Chief Executive, Edge Investments
Mark Graham	Director, PwC
Suzanne Harrison	Funding Manager, Northern Ireland Screen
David Hayers	Head of Growth Finance, Clydesdale Bank
Vikki Heywood CBE	Chairman, The RSA
Robert Hodgkinson	Executive Director, Technical, ICAEW
Dave Hopkins	Business Engagement Manager, Intellectual Property Office
Nicola Horton	Principal, Corporate Finance, Kingston Smith W1
Michael Izza	Chief Executive, ICAEW
Katerina Joannou	Capital Markets Policy, ICAEW
Louise Jury	Head of Communications & Strategy, Creative Industries Federation
Audrey Keri-Nagy	Art Director, Walker Books
Fiona Kilkelly	Head of Creative Industries, Knowledge Transfer Network
Sarah Lingard	Head of Philanthropy & New Models, Department for Culture, Media & Sport
Bruce Macfarlane	Managing Partner, MMC Ventures
Gillian McKay	Head of Charities & Voluntary Sector, ICAEW
John McVay	Chief Executive, PACT
Helen Mainstone	Policy Adviser, Digital Economy Unit, Department of Business, Innovation & Skills
William Makower	Founder Trustee, National Funding Scheme
Linda Martin	Head of Finance, Northern Ireland Screen
Mo Merali	Corporate Finance Partner; Head of Private Equity, Grant Thornton
Ian Merricks	Chair, The Accelerator Network
Tandeep Minhas	Partner, Taylor Wessing
Simon Mollett	Director, Beechcroft Associates
Jane Moore	Technical Manager, Tax Faculty, ICAEW
Keith Morgan	Chief Executive, British Business Bank

Betsan Moses	Head of Communications, Arts Council of Wales
Marc Mullen	Editor, <i>Corporate Financier</i>
Baroness Neville-Rolfe DBE CMG	Parliamentary Under Secretary of State, Department for Business, Innovation & Skills
Keith Nichol	Head of Cultural Diplomacy, Department for Culture, Media & Sport
Caroline Norbury MBE	Chief Executive, Creative England
Ian Oakley-Smith	Director, Head of Charities, PwC
Gwyn Owens	Head, Creative Economy, Department for Culture, Media & Sport
Mark Pacitti	Partner, Global Leader, Corporate Finance, Deloitte; Chairman, Corporate Finance Faculty, ICAEW
Niraj Patel	Partner; Head of Corporate Finance, Saffery Champness
Chris Pell	Relationship Director, Technology & Media Sector, NatWest Bank
David Petrie	Head of Corporate Finance, ICAEW
Francesca Filippini Pinto	Head of Development, Photographers' Gallery
Tim Plyming	Director of Digital Arts & Media, NESTA
Martin Prendergast	Director of Communications, National Theatre
Rebecca Preston	Director of Development, Royal Shakespeare Company
Maggie Rodriguez-Piza	Chief Executive, Funding London
David Rogers	Director of Policy, Deloitte
Fran Sanderson	Fund Manager, Arts Impact Fund, NESTA
Amanda Saunders	Director of Development, Royal Opera House
Lisbeth Savill	Partner, Latham & Watkins
Chris Searle	Partner, BDO; Chairman, Technical Committee, Corporate Finance Faculty, ICAEW
Anna Slemmings	Marketing Manager, MMC Ventures
Jonny Slow	Founder, Slow Motion Consulting
Sir John Sorrell CBE	Founder and Chairman, Creative Industries Federation
Graeme Stevenson	Research & Policy, Arts Council of Northern Ireland
Jane Tarr	Director Organisational Resilience & Environmental Sustainability and North, Arts Council England
Sam Tatton-Brown	Partner, Lee & Thompson
Sarah Thirtle	Head of Business Lending Programmes, Creative United
Rick Thompson	Managing Director, Head of Corporate Finance, Cantor Fitzgerald
Ingrid Tighe	Director, Pivot Partners
Clare Titley	Director of Philanthropy and South West, Arts Council England
Nick Toyas	Creative Director, Toyas-O'Mara
Ed Vaizey MP	Minister of State for Culture and the Digital Economy
Nigel Walker	Head of Access to Finance, Innovate UK
Alan Wallis	Executive Director, EY
Natalie Whyte	Financial Controller, Royal Opera House
Amy Wilkinson	Public Relations Manager, Creative England
Rosa Wilkinson	Director of Innovation & Strategic Communications, Intellectual Property Office
Richard Wilson	Chief Executive, TIGA

About the authors



Shaun Beaney
Corporate Finance Faculty,
ICAEW

Shaun Beaney develops stakeholder and member communications for the Corporate Finance Faculty to support ICAEW's public policy and advisory work, particularly in access to finance, growing businesses and venture capital. He is currently researching investment in technology, design and creative businesses. Shaun has previously worked in corporate finance research at BDO in London and was deputy editor of *Real Deals*, the international private equity and venture capital magazine.



John Kampfner
Chief Executive,
Creative Industries Federation

John Kampfner is a critically acclaimed author, broadcaster and commentator, specialising in UK rights issues. He has been a senior correspondent and editor at the *Daily Telegraph*, the *Financial Times*, the BBC and the *New Statesman*. He is the author of several books, including *Blair's Wars*, *Freedom for Sale*, and *The Rich: a 2000-Year History*. John is also Chair of Turner Contemporary, one of the UK's most successful cultural institutions. In August 2012, he became a member of the Council of King's College, London and in October 2014, he became Chair of the Clore Social Leadership Programme.

'Britain's cultural dynamism is a big part of its national identity. Its creative industries are a major competitive advantage for innovation, business and employment. It's vital that we increase public and private investment as well as corporate and individual support for them.'

David Petrie, Head of Corporate Finance, ICAEW



The Creative Industries Federation

The Creative Industries Federation is the national membership organisation for all of the UK's arts, creative industries and cultural education.

Launched at the end of 2014, it was the brainchild of Sir John Sorrell CBE, a leading figure in the world of design, and boasts a heavyweight board and a diverse advisory council from across the many disciplines it represents – from advertising to video games, and performance to publishing, as well as craft, design, architecture, theatre, film, television and radio, fashion, music, IT and software, visual arts and heritage, museums, galleries and libraries.

Britain's success as a global cultural powerhouse has been built on the dynamic flow of ideas and talent between the public and private sectors, underpinned by high-quality creative education and sustained investment from key sources, including the National Lottery and the UK government. The combination has made the creative industries the fastest growing sector of the economy.

But there has never been a united voice to champion that success - until now. The Creative Industries Federation is a unique network and one that is producing and presenting evidence for the policies and funding necessary, from both public and private sources, to ensure the UK maintains – and grows – its creative cutting edge.

creativeindustriesfederation.com

ICAEW Corporate Finance Faculty

The Corporate Finance Faculty's professional network includes more than 80 member organisations and 7,000 members drawn from major professional services groups, specialist advisory firms, companies, banks, private equity, venture capital, law firms, brokers, consultants, policymakers and academic experts. More than 40% of the membership is from beyond ICAEW.

The faculty is ICAEW's centre of professional excellence in corporate finance. It contributes to policy development and public consultations and provides a wide range of services, events and media to its members, including its magazine *Corporate Financier*.

ICAEW is a professional membership organisation that promotes, develops and supports over 144,000 chartered accountants worldwide. We provide qualifications and professional development, share our knowledge, insight and technical expertise, and protect the quality and integrity of the accountancy and finance professions.

As leaders in accountancy, finance and business our members have the knowledge, skills and commitment to maintain the highest professional standards and integrity. Together we contribute to the success of individuals, organisations, communities and economies around the world.

Because of us, people can do business with confidence.

ICAEW is a founder member of Chartered Accountants Worldwide and the Global Accounting Alliance.

www.charteredaccountantsworldwide.com

www.globalaccountingalliance.com

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

T +44 (0)20 7920 8685

E cff@icaew.com

icaew.com/cff

[linkedin.com](https://www.linkedin.com/company/icaew-corporate-finance-faculty) – ICAEW Corporate Finance Faculty

twitter.com/ICAEW_CORP_FIN

