INGENIΘUS

BUILDING OUR
INDUSTRIAL STRATEGY

Green Paper, April 2017

Submission by **THE INGENIOUS GROUP**

1. INTRODUCTION

1.1 Ingenious is an investment management company based in London, specialising in the media, infrastructure and real estate sectors. We manage over 5,900 investors, including institutions, corporates and high net worth individuals, and have raised more than £9bn from investors since 1998.

1.2 We aim to help bridge the gap between investment supply and demand in these markets, building on our track record with investors and professional intermediaries.

1.3 We are the largest independent investors in the UK's 'creative economy'. We are especially well-known for our investments in film and TV, having financed more than 200 films and more than 650 hours of primetime TV drama. Our films include both US Studio movies (including *Avatar*, *Life of Pi*, *Night at the Museum*, *Return of Planet of the Apes* and *The Best Exotic Marigold Hotel*) and UK independent films (including *Girl with a Pearl Earring, Vera Drake*, *Mr Turner*, *Selma*, *Carol*, *Suffragette*, *A United Kingdom* and *Viceroy's House*). Our TV shows include *Foyle's War*, *Scott & Bailey*, *The Reckoning, Law and Order: UK*, *Doc Martin*, *Primeval*, *The Suspicions of Mr Whicher*, *Zen*, *The Fall*, *Jonathan Strange and Mr Norrell*, *The Honourable Woman*, *Coalition*, *Marcella*, *The Frankenstein Chronicles*, *Clangers* and *Teletubbies*. We have also invested in video games, marketing services companies, recorded music and music publishing, and festivals.

1.4 We have raised over £1bn for investment into new and early stage companies since 2005 raising funds from individual investors under the VCT, EIS and SEIS venture capital schemes as well as from financial institutions. We invest both in creative content and creative companies. We also contribute philanthropically to the arts and educational fabric of the cultural sector – especially to the National Film & Television School, the Young Vic Theatre Company, Goldsmiths in the University of London, MeWe360 (a BAME business incubator) and the BRIT Awards – both financially and by transferring commercial and leadership skills.

1.5 We are best known as media and entertainment industry specialists. The creative industries sector is the sector in which we have made our name and have the longest track record of investment. From our perspective this sector is uniquely challenging as regards investment and industrial strategy by virtue of its risk profile, complexity and diffuseness.

1.6 We support the proposal put forward in the Green Paper that the creative industries should be regarded as a strong candidate for a 'sector deal'. This would appropriately reflect the sector's significance to the UK economy and its competitive standing in the global creative economy. Against that background the primary aim of this submission is to support this proposal. However we also seek to examine critically what is required to formulate a convincing, long-term industrial policy for the creative industries given the sector's unique structure and risk characteristics. Our second aim is to offer some general observations on what we perceive to be a myopic concentration in the Green Paper on STEM (science, technology, engineering and maths) perspectives. Finally we propose four foundations for a successful 'sector deal' drawing on our own experience as investors, fund managers and producers.

2. TERMINOLOGY, CLASSIFICATION AND THE SECTOR LANDSCAPE

2.1 To address the central question posed by the Green Paper, the creative industries do not have a productivity problem in the generally accepted sense (output per employee). However they do have a scale problem and a sustainability problem at the heart of their business *raison d'etre*, namely the production and distribution of works of art and craft and what in media we call creative content. As regards the visual and performing arts the 'productivity' issue is different; it will always take four people to play a Beethoven string quartet. But for the great majority of the tiny creative businesses which dominate the sector and employ two people or less, the critical issue is one of how one keeps going in an inherently risky, project-based commercial environment and, preferably, grows sustainably to achieve scale.[1] For the purposes of addressing issues of industrial strategy this ineluctable reality in turn requires us to revisit what we mean by 'creative industries'.

2.2 The concept of the 'creative industries' is problematic from the point of view of industrial strategy. This is partly because of a lack of consensus about its boundaries. It also reflects an intuition amongst hard-pressed arts and culture organisations and many micro cultural and creative businesses that the impressive growth statistics produced by the DCMS, and the accompanying grand narrative, do not adequately convey a sense of the fragility of large swathes of the cultural enterprise universe.

2.3 The conceptual landscape is genuinely confusing. Originally classified as the 'DCMS 13' following industry mapping exercises carried out in 1998 and 2001, the sub-sectors referred to in this submission have been arranged since 2007 into nine groupings as follows:

- advertising and marketing;
- architecture;
- crafts;
- design (product, graphic and fashion design);
- film, TV, video, radio and photography;
- IT, software and computer services;
- publishing;
- museums, galleries and libraries; and
- music, performing and visual arts.

This classification is used by the DCMS in its annual account of the economic performance of the creative industries.[2] It should be noted that in economic terms two of these sub-sectors - film, TV, video and photography and IT, software and computer services – account for more than half of total activity.

2.4 The construct of the 'creative industries' is broader than that of the 'cultural industries', used for example by the former Greater London Council in policy debates in the 1980s, mainly because it imports some elements of the world of information and communications technology (ICT). 'Cultural industries' is a term preferred by some academics and practitioners, as is the still narrower concept of 'audio-visual industries'.[3] The idea of the 'creative economy', a term first coined by John Howkins in his eponymous book and subsequently developed by NESTA, goes much wider than the 'creative industries'. NESTA's version of the creative economy model incorporates employees working in creative roles in 'non-creative' sectors (designers in automotive companies for example).[4]

2.5 Considered as political marketing, the roll-out of the concept of the creative industries has been a brilliant success in the UK, as in many other countries that have followed suit. It works as a convenient shorthand for an otherwise heterogeneous group of industries and sub-sectors which, as defined by the DCMS, share one core common characteristic - that they "have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property".

1 90% of the UK's creative businesses employ not more than five people; 80% employ not more than two people; and 60% employ just one person. See the Frontier Economics report *Absorptive Capacity: Boosting Productivity in the Creative Industries*, July 2016, p. 5.

2 Department for Culture Media and Sport (DCMS), Creative Industries Economic Estimates, January 2016.

3 The change in terminology from 'cultural' to 'creative' industries is anatomised in Nicholas Garnham, "From Cultural to Creative Industries: An analysis of the implications of the 'creative industries' approach to arts and media policy making in the United Kingdom", *International Journal of Cultural Policy*, vol.11, no.1, 2005. To make things more confusing the European Commission routinely refers to the 'cultural and creative industries' (CCIs).

4 See John Howkins, *The Creative Economy; how to make money from ideas,* Penguin, second edition 2013; and *A Manifesto for the Creative Economy*, NESTA, April 2013.

2.6 The concept is less satisfactory considered from the perspectives of cultural policy and business economics, the combined weight of which it has struggled to carry. The range of cultural, commercial and professional activities, business models and occupations embraced is so wide that virtually no statement can be made about the 'creative industries' that does not require some salient qualification. In part this is a data classification problem: it is generally acknowledged that existing SIC and SOC codes are out of date, but this is only part of the story. A significant chunk of the ICT sector is included by DCMS statisticians in its reporting, including SIC codes 62.01 and 62.02 (computer programming and computer consultancy activities). This would be less of an issue if the corresponding numbers were not so large. The statistical grouping comprising "IT, software and computer services" accounts for some 40% of the gross value added (GVA) of the whole sector, as currently classified. Some of the occupations counted here may well be appropriately captured, but others are highly contestable.

2.7 In short, the concept of the creative industries works at a high level of abstraction. It is much less satisfactory when one drills down into the constituent sub-sectors and analyses their composition and business models. The very diffuseness of the sector – from architecture to video games and movies to museums – is bound to render any consideration of strategy and public policy challenging.

2.8 In spite of these challenges and ambiguities, all the political parties have regularly trumpeted the 'creative industries' over the last decade. This is understandable because so much other news on the industrial front has been so dispiriting, especially in financial services. However it also reflects the outstanding economic achievements of many of the industries concerned, and the glamour attached to the celebrities and awards ceremonies with which they are associated.

2.9 The state-run Chinese news agency Xinhua got it right immediately after the 2012 London Olympic Games when it informed its readers that Danny Boyle's opening ceremony had celebrated "British humour and fantasy literature" and described it as "the product of Britain's well-developed cultural and creative industries".[5] The success of British content and British performers in the music, theatre, games, TV and film universes helps to maintain a high and positive profile for the UK in politically troubled times. The creative sector plays a key role in projecting UK 'soft power' around the world. It provides a very different and more internationalist alternative narrative to that associated with Brexit.

2.10 The representative landscape of the sector is still evolving. Sector representation was strengthened during the period of the Coalition government. Some twenty different organisations now promote the creative industries, which can be confusing. The three main pan sub-sector bodies are the Creative Industries Council (CIC), which was established in 2011 and is government led; Creative England, a development agency with a remit to stimulate creative businesses outside London (also set up in 2011 but rooted in the former regional screen agencies); and the Creative Industries Federation (CIF), an independent body established in 2014 for the avowed purpose of enabling the arts, business and higher education sectors to speak with a unified voice. Publicly funded Knowledge Transfer Networks (KTNs) also expanded during this period.

2.11 However the period of the Coalition was also one of abolition and cuts: then Culture Secretary Jeremy Hunt abolished the UK Film Council, Creative Partnerships, the Cultural Leadership Programme and (to all intents and purposes) Arts & Business in his first year as Secretary of State.[6] The British Film Institute (BFI) and Arts Council England (ACE) are both now required to fulfil more functions and cover more ground with less money as a direct consequence of the abolition of other bodies.

2.12 The BFI and ACE both produce research and policy papers but neither has the capacity to do any extensive research on the business economics of the creative sector. Nor does the DCMS. The British Screen Advisory Council (BSAC), representing the audio-visual industries, has deep roots in the business community and does produce solid research, but this is proprietary and generally only available to members. In addition, the original DCMS 13 sub-sectors are represented by their own trade bodies (like PACT for indie TV producers, the British Fashion Council (BFC) for fashion designers and UKIE for interactive entertainment providers), and in some cases (as in advertising, film, TV and music) are represented by more than one trade body.

5 Quoted in Dominic Sandbrook, *The Great British Dream Factory*, Penguin Books, 2016, p.xxii.
6 A small rump of Arts & Business was absorbed into Business in the Community (BIC) after its funding was withdrawn in 2010.

2.13 This complex organisational picture can give the impression of on over-represented 'creative' landscape in which competition for share of attention is more pronounced than pan-sectoral collaboration. This is germane to any consideration of the creation of "a coherent framework for industrial strategy", to use the language of the Green Paper, and is the problem that the Creative Industries Federation, as conceived by founder Sir John Sorrell, was invented to overcome. It is too early to say how successful it will be in synthesising public and private sector, commercial and non-commercial, big company and micro company perspectives on a wide range of complex issues to the satisfaction of a diverse membership.

3. THE UK'S CREATIVE INDUSTRIES: STRENGTHS, WEAKNESSES AND CHALLENGES

3.1 In its opening Summary the Green Paper rightly stresses the need to learn from the past and the importance of understanding "what has worked and what has failed; the strengths we must build on and the weaknesses we must correct." The strengths of the UK's creative industries are fully referenced in the publications and websites of the British Screen Advisory Council (BSAC), the Creative Industries Council (CIC) and the Creative Industries Federation (CIF) against a range of economic and other indicators. We especially associate ourselves with BSAC's submission to this consultation.

The weaknesses of, and the challenges facing the creative industries are several and varied. In no particular order these include:

- Industry short-termism
- Acute skills shortages
- Shortage of 'knowledgeable capital'
- Proliferation of sub-scale businesses
- Constricted talent pathways
- Falling aggregate public investment in the arts and humanities
- Heavy investment by competitor nations
- Brexit.

This list is not exhaustive.

3.2 Politicians and industry leaders are not often heard on this terrain. There is a tendency to parrot triumphalist narratives and little inclination, at least in public, to acknowledge the complex challenges that the sector faces. Too often we do not learn from our mistakes or seem much interested in interrogating failure. Given the great importance of the business skills agenda, for example, it would be helpful to know why the Centre for Creative Business (CCB) and the Cass Film Business Academy both failed at the end of the 'noughties'. Similarly, within government, the Blair-Brown administrations' Creative Economy Programme fizzled out after a very promising beginning and some excellent work had been done (it has disappeared without trace). There is little or no corporate memory of these initiatives either in the DCMS or in BEIS (formerly the DTI/BERR/BIS).

3.3 The development of a coherent and credible industrial strategy for the creative industries must depend upon a good knowledge of what has gone before and a shared understanding in the words of the Green Paper of "what has worked and what has failed". It is a serious weakness of the sector (although doubtless it is not unique in this respect) that it is unclear which single government department or public or private agency might lead in developing *and implementing* an agreed strategy given that such an exercise would require significant resources of expertise and money.

4. THE GREEN PAPER AND 'STEM'

4.1 *Building our Industrial Strategy* is wide-ranging in the questions that it poses but also disturbingly narrow in its assumptions about the skills and attributes required by a successful twenty-first century economy. The Green Paper is heavily inflected by a STEM (science, technology, engineering and maths) mode of thinking to the apparent exclusion of an understanding of the value contributed to successful modern enterprises by graduates from arts and humanities disciplines. That the UK is short of graduates with STEM based qualifications is well evidenced, but this does not adequately explain the tendentiousness of the Green Paper. Perhaps the explanation lies in the essential characteristics of the economic value created by cultural enterprises. The value of an engineering business or an engineering contract can easily be calibrated as, with more difficulty, can the opportunity costs of not being able to hire appropriately (STEM) qualified engineers. By contrast the value of story-telling in its many formats is much harder to quantify because so much of what is created produced is symbolic and intangible, and so much is lost to false starts and box-office failure in a universe characterised by a few big 'hits' and rather more 'failures'.

4.2 Perhaps it is this imbalance in the ease of calibrating the value of the assets created - the difference between tangible and intangible assets - that has led the authors of the Green Paper to underplay the value of art, design, story-telling and other forms of creative endeavour in their prognosis of the challenges ahead. The pedagogical debate over STEM and STEAM has become somewhat sterile, but it should be clear that privileging the former over the latter has considerable implications for those UK industries which, ranging from automotive design to visual special effects, depend on a company's ability to hire cross-disciplinary combinations of skills of the kind associated with STEAM (with A for Art in the middle). To enhance competitiveness we need to train software coders who are also skilled in creative disciplines, just as we need to produce more accountants who understand the creative process. The consultation document does not appear to recognise this.

5. DO THE CREATIVE INDUSTRIES MERIT A STRATEGIC PARTNERSHIP WITH GOVERNMENT?

5.1 This question was posed during a seminar organised by the Royal Society of Arts and Arts Council England (ACE) in 2013.[7] Speaking at this event, and in subsequent private conversations, a senior official at BIS was unambiguous that the creative industries did not qualify for strategic partnership status for two reasons: first it was not clear where the leadership of the sector lay and to whom therefore the government might speak; and secondly the sector had not, in BIS' view, adequately articulated an investment case. Four years later it may reasonably be claimed that the first question has been answered, but that the second has not: a comprehensive investment case has yet to be developed, although the Creative Industries Council has made strides in this direction.[8]

5.2 We therefore welcome the fact that the Green Paper signals, perhaps for the first time in such a document, that the creative industries should feature in planning for a successful industrial strategy.

5.3 The issue of the investment case nonetheless remains. For many years Ingenious has advanced a risk-based analysis of media and creative business which bears fundamentally on this question. Creative businesses are not homogeneous considered from the point of view of investor risk. In our critique, three broad categories of creative and media business should be distinguished by reference to 'demand-led' and 'non demand-led' business models.

5.4 At one end of the risk spectrum are businesses engaged in the high risk production of content, such as musicals, films and games. The activities of these companies are based on a complex and unpredictable relationship to the market. There may ultimately be a high public demand for their products but, critically, these activities are *non demand-led* in the sense that no associated market research or pre-testing has any useful predictive value. In the immortal words of the American screenwriter William Goldman, "Nobody Knows Anything", by which Goldman means that the market response to any given song, show, film or book cannot be anticipated with any degree of dependability. The content producer has to commit significant funds to the creation of a product before he or she has any idea of whether the film or book or show will find an audience. In practice therefore much of the financing tends to come from large distributors, who because of the terms on which finance is offered end up controlling the intellectual property (IP) and thus owning much if not all of the economic value created.

7 Martin Smith, "Yes, *Britain's got Talent,* but is that enough?", Royal Society of Arts/Arts Council England, 2013
8 *Create UK*, Creative Industries Council, DCMS, January 2014. See www.thecreativeindustries.co.uk/media/243587/cic_report_final-hi-res-.pdf

5.5 This content production and distribution business model stands in sharp contrast to other forms of *demand-led* creative business activity, such as composing music for a TV commercial, or supplying new software in response to a commission from an advertising agency. Both these activities demand the application of creative skills, and may well draw on the skills of the same people, but exhibit fundamentally different commercial profiles and have different financing needs.

5.6 In the middle of the risk spectrum one can identify a third category. These are media conglomerates comprising content distribution and licensing businesses which transcend the line between demand-led and non demand-led models. The strength of these businesses, which include the Hollywood studios, apart from their greatly superior capitalisation, lies in the fact that as distributors they can acquire and manage completed creative properties with greater visibility over the critical response and, within limits, consumer demand. They can thus factor in at least the possibility of recovering their acquisition and marketing costs.

5.7 This typology provides the key to many questions about the issue of an 'investment case' and the rationale for economic intervention. The key bit of analysis is that demand-led or services businesses, like advertising or design companies, do not differ to any significant extent from services business in any other part of the economy and do therefore not require fiscal support. Non-demand led or content businesses on the other hand exhibit distinctive high risk characteristics and suffer from market failure, especially in the form of the scarcity of development or 'R&D' risk funding, signifying that such companies *do* merit government support. This is the rationale behind the Film Production Tax Credit introduced in 2008 and subsequent other creative sector tax reliefs introduced by Chancellor Osborne.

5.8 Simply to explain the rationale behind this risk-based framework is not sufficient however. There are many related and largely unanswered questions including, for example, questions about attitudes to media business in the capital markets, the relative ignorance of investment intermediaries and private investors' attitudes to risk.

5.9 As a contribution to the knowledge base Ingenious is funding post-doctoral research on attitudes to risk in the audio-visual sector which will be published in 2018. This research forms one element in the partnership between Ingenious and the Institute for Creative and Cultural Entrepreneurship (ICCE) at Goldsmiths in the University of London.

5.10 Even though many questions remain unanswered, we know enough about content risk, the need for what we call 'knowledgeable capital' and the shortage of business and other skills, as well as the threat posed by global competition, to be able nonetheless to assert that there is now a coherent basis for the establishment of a strategic partnership between government and industry. It is the precise terms of such a partnership, or 'sector deal', that need to be examined and debated.

6. TOWARDS A ‘SECTOR DEAL’ FOR THE CREATIVE INDUSTRIES

How can the Government and industry help sectors come together to identify the opportunities for a ‘sector deal’ to address – especially where industries are fragmented or not well defined?

(Question 31 of the Green Paper)

6.1 The creative industries are often described as ‘the fastest growing sector of the economy’ with a growth rate of twice or even three times that of the rest of the economy. Such statements are partially true but not applicable to all nine sector groups identified by the DCMS (see paragraph 2.2 above). It is therefore necessary to look beyond the rhetoric to obtain a sharper view of what a ‘sector deal’ might look like. Applied to the creative industries therefore, Question 31 of the Green Paper might helpfully be rephrased as follows: What should be the foundations of a ‘sector deal’ for the creative industries?

6.2 In reply to this question, it should first be acknowledged again that the evidence base is patchy from the point of view of business economics. There are gaps – research that has not been done, or not done recently - that should discourage us from rushing to hasty conclusions. Two important examples are how and why money circulates around the overall creative ecosystem and how public investment triggers private investment in specified parts of the creative economy. A flow-of-funds value chain analysis of the UK content ecosystem was commissioned by former minister Stephen (now Lord) Carter for his 2009 *Digital Britain* report.[9] This analysis, now obviously out of date, attempted to map where revenues flowed from and to (from consumers, advertisers, licence fee payers and so on to search engines, aggregators, publishers and others). Having access to up-to-date economic research of this kind is critical to understanding the dynamics of the creative economy and the role that intervention plays in developing new markets. Genuine evidence-based policy-making depends upon its availability.

6.3 Clearly such knowledge gaps cannot all be rectified to the timetable set out by the Green Paper, or indeed anytime soon, so some conclusions bearing on questions of economic intervention should be regarded as provisional. With this caveat, Ingenious supports the idea of a ‘sector deal’ which in our view should, at minimum, rest on four foundations. Following the analysis set out in section 5 above, the first foundation of any ‘deal’ should be an acknowledgement for the purpose of policy development of the need to distinguish between content businesses and services businesses. This requires the DCMS to overlay the classification methodology currently in use, at least for the purposes of appraising intervention. It is not possible to make sense of the investment challenge without laying this foundation.

6.4 In the meantime, we support the continuation of creative sector tax reliefs. These reliefs inject liquidity into the ecosystem and provide content producers with a means of cash-flowing the development of their projects to the point at which they can be greenlit.

6.5 We also strongly support the Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS). Although not sector specific, the EIS in particular has played an important role in incentivising private investors to invest in content creation. Some of the independent films in which Ingenious has invested in recent years would almost certainly not have been greenlit were it not for the availability of EIS relief. This list includes high profile films like *Suffragette, Mr Turner, Carol* and *A United Kingdom*.

6.6 We believe, however, that different support mechanisms may be required in future to ensure the prosperity of the UK’s content production and distribution ecosystem post Brexit, especially if UK participation in the EU’s Creative Europe Programme is diminished after 2020. To that end, whilst maintaining current tax credits for the immediate future, any sector ‘deal’ should set out a timetable and a process for examining whether current interventions remain optimal and are likely to remain optimal in a post Brexit environment.

6.7 It is vital for the robustness of the whole creative sector ecosystem that we get these interventions right. Given the speed with which global content markets are changing and the unpredictability of the impact of Brexit on the cultural and creative economy, this implies a systematic process of appraisal. Content markets do not always generate themselves: they develop through a combination of market forces and targeted intervention. It is

9 Analysys Mason, *Fostering Creative Ambition in the UK Digital Economy*, Final Report for the DCMS, May 2009, p.3.

sometimes forgotten that one of the UK's most successful content sectors, the world-beating 'indie' TV sector, is the direct result of cumulative government intervention. The conditions which gave rise to this success were the result of regulatory interventions delivered over a 25 year period beginning with the creation of Channel 4.

6.8 Given that the British audio-visual market is always vulnerable to the superior firepower of American corporations by virtue of its small scale relative to the US domestic market, further thought should in particular be given to ways of enhancing British distribution capacity, especially in relation to independent film production, which is in a perilous state.

6.9 We look forward to reading Sir Peter Bazalgette's report on three key supply-side factors in creative investment and production: intellectual property (IP), technology and skills. On IP matters, we strongly associate ourselves both with the submission made by BSAC and with the earlier work of the Creative Industries Council. Our second sector 'deal' foundation therefore would be a commitment not to dilute current copyright protections and to introduce a more vigorous enforcement regime. Copyright infringement, including various forms of 'piracy', remains a serious problem for the audio-visual sector in spite of the introduction of multiple low cost legal alternatives to the illicit distribution of music, film and games. Infringement is a deterrent to private investment and legitimate business activity as can clearly be seen in countries, like Spain, in which illicit consumption is rampant and international distributors have largely withdrawn. Copyright is an EU competence: for investors this lends an additional unwelcome element of uncertainty to post-Brexit planning scenarios.

6.10 Our third foundation concerns skills. In addition to creative and technical skills, there is an acute shortage of business skills in the creative sector. This contributes to the distortion of some other elements in creative industries' discourse. For example, what many in the sector call an 'access to finance' problem we prefer to describe as an 'access to investible propositions' problem. Too many micro-businesses are not investor-ready when they coming knocking on the door for investment funding. One dimension of the skills deficit too infrequently acknowledged is thus commercial: passion and an abundance of creativity is not enough to start, grow and *sustain* a business.

6.11 We make our own contribution to addressing this weakness and grow the business-savvy talent pool by partnering with the National Film & Television School (NFTS) to sponsor an MA course called Creative Business for Entrepreneurs and Executives (CBEE), but this market leading programme will not have the scale impact required unless it is replicated through partnership and supplementary funding. The NFTS model is not the only model: Goldsmiths (ICCE) and Cockpit Arts exhibit two different models of practitioner-oriented business skills development which are equally effective. This part of the skills agenda should be a priority for Industrial Challenge Strategy funding.

6.12 Finally, and fourthly as regards sector 'deal' foundations, we are concerned about falling levels of public investment in our cultural and educational institutions and – as indicated in section four above – the Green Paper's apparent STEM bias. We are also concerned about the future funding of the arts and humanities in schools and universities, and of the Arts & Humanities Research Council (AHRC) in the new HEI funding universe. The UK creative industries thrive within a complex mixed economy of public and private funding. Advanced engineering and product design (think Jaguar Land Rover) draws as much on design skills as proficiency in mathematics. Visual special effects (think Framestore and Double Negative) demand both art and computing skills. The fourth foundation of any 'deal' must be therefore be a commitment adequately to fund our arts and humanities departments and cultural institutions. Some reassurance from government on this point would be very welcome.