Creative UK

Provocation Paper

Creative Economy Capital

– A Framework for Creative Investment

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ACKNOWLEDGEMENTS

We would like to express our gratitude to Sir Peter Bazalgette, Ida Levine, Sherry Coutu CBE, Rick Haythornthwaite, Nigel Higgins, Sir Tom Scholar, Sir Simon Robey, Steve Perry, Tracy Brabin and members of the Creative UK Board for their valuable insights and expertise, which have helped us to explore and refine the themes within this paper. Their perspectives, alongside those of senior leaders from across the cultural and creative industries, have contributed to our examination of the case for Creative Economy Capital.

This paper has benefited from the thoughtful engagement of a wide range of individuals and we acknowledge their generosity in sharing their time and perspectives. Their inclusion here does not imply endorsement of the ideas or conclusions presented. The paper also draws extensively on a research report, published in partnership with our friends at the Creative Industries Policy and Evidence Centre, based on the findings of an access to finance survey of UK creative industries organisations.

This work has evolved from our original concept of a 'Bank for Creativity' first proposed in November 2023 by our Chief Executive, Caroline Norbury. Initially conceived as a dedicated financial institution, we also explored the possibility of a fund-of-funds model. Further extensive consultation with financial experts, investors and industry stakeholders led us to our provocation: the creation of an investment framework designed to mobilise capital efficiently and ensure that creative businesses – whether commercial, subsidised or hybrid – can access the right kind of investment at the right time.

Foreword

The UK's ability to develop world-class intellectual property (IP) defines Britain's global brand, our creative entrepreneurs build high-growth businesses and our cultural organisations deliver immense social impact. The creative industries sector has been identified by the UK Government as a "priority sector" that can drive the much needed economic growth our country needs. Achieving this potential, however, requires the unlocking of new sources of investment; giving our creative entrepreneurs the supercharge they need to thrive.

Despite their global status, many creative entrepreneurs perceive that their businesses are locked out of mainstream investment, held back by financial models that don't adequately recognise the value of IP, brand equity and long-tail revenue models. The UK is renowned for its cultural and creative leadership, but it is failing to provide the financial infrastructure that its world-class creators need to thrive. In this short Provocation we outline the steps which would support our most pioneering creative minds to access to the investment they need to flourish, scale and compete on a global stage.

Creativity is an economic superpower - but only if we finance it like one. This paper makes a powerful, evidence-backed case for Creative Economy Capital - a new investment framework designed to transform the way we fund creativity in the UK. Why does this matter? Because the UK is at a crossroads. Financial models built around tangible assets, short-term returns and narrow definitions of risk are failing to serve a sector that thrives on innovation, originality and long-term value creation. And in a world where global competitors are racing ahead with bold investment strategies for the creative economy, we cannot afford to stand still.

Creative Economy Capital isn't about special pleading, it's about smart economics. It's about designing financial mechanisms that unlock private investment, derisk capital flows and ensure creative businesses get the funding they need to succeed. By providing a single front door to investment in the creative industries, Creative Economy Capital would ensure creative businesses seeking to scale gain access to IP-backed lending and venture capital, that cultural organisations benefit from structured social impact capital and that philanthropic investment is mobilised efficiently through a brokerage mechanism that matches high impact projects with donors.

Our provocation is not to set up a new institution – we have tested the idea of a dedicated institution and the answer from many stakeholders is that they want existing mechanisms to work better, to join the dots and for the creative industries to be recognised as a viable investment choice.

The call is to better align commercial capital, social impact finance and philanthropic investment to create a system that recognises the full economic, social and cultural value of creativity. And it's about ensuring that the UK's creative talent, no matter where they are based, can access the funding they need to grow. This is our moment to build a financial system that truly values creativity - not as a side project, not as a subsidy, but as the economic engine that it is.

CAROLINE NORBURY OBE, CHIEF EXECUTIVE, CREATIVE UK

Executive Summary

The UK's cultural and creative industries contribute over £125 billion annually to the economy, playing a pivotal role in economic resilience, cultural influence and social cohesion. Our creative economy spans both subsidised cultural organisations and commercial creative enterprises, each vital to the UK's cultural landscape – yet both sectors face persistent financial challenges.

Whilst publicly-funded organisations depend significantly on grants and philanthropic support, they increasingly require supplementary revenue sources to achieve financial stability and sustain their impact.[1] Meanwhile, commercial creative enterprises face obstacles to investment due to the intangible nature of their assets and the perceived risks associated with creative business models.[2] This interconnected landscape, all of which is vital for the health of the creative ecosystem, means that financial challenges – and solutions - do not fall neatly along subsidised or commercial lines, with limited access to flexible funding affecting both sectors, constraining their capacity to grow and innovate.

This paper proposes the establishment of a funding framework, Creative Economy Capital: a comprehensive blended finance solution designed to support both commercial creative enterprises, publicly funded cultural organisations and models that live between the two. Operating as an investment hub, Creative Economy Capital would channel capital tailored to the distinct needs of creative organisations at various stages of growth; with public capital providing first-loss investments to de-risk private contributions. Philanthropic capital would be deployed through a dedicated impact investing tranche that would prioritise mission-driven projects, with high cultural and societal value.

This approach directly aligns with the UK Government's Invest 2035 strategic approach to advancing the creative industries as a high performing sector.[3] With the creative industries already outperforming other priority sectors targeted in the UK Government's Industrial Strategy proposals, there is clear scope to reimagine the investment framework for their specific needs. By addressing structural investment challenges and enhancing the creative economy's capacity to attract public and private capital, Creative Economy Capital represents an opportunity to support long-term economic growth whilst strengthening the UK's global cultural leadership.

The case for a new investment model

Current financial structures do not meet the needs of the creative industries:[4]

- 41% of creative businesses report that existing financial products do not fit their needs, even those deemed investment-ready.
- 51% believe financial institutions overestimate the sector's risk, limiting access to debt and equity finance.
- 63% of equity investment is concentrated in London and the South-East, leaving regional creative clusters significantly underfunded.
- Creative businesses are almost twice as likely to conduct R&D as other SMEs, yet

1 DCMS (2024) Total income of DCMS – funded cultural organisations 2022/23: headline release
2 Bakhshi, H. Siepel, J.; Carmona, L. & Tarr, A. (2025) Unleashing Creativity: Fixing the Finance Gap in the Creative Industries. Creative UK & Creative Industries Policy and Evidence Centre

3 Ibid
4 Bakhshi, H. Siepel, J.; Carmona, L. & Tarr, A. (2025) Unleashing Creativity: Fixing the Finance Gap in the Creative Industries. Creative UK & Creative Industries Policy and Evidence Centre

many struggle to access R&D tax relief due to administrative barriers.

The UK must move beyond short-term grant funding models and fragmented investment schemes to a systematic, long-term financial solution that bridges the cultural-commercial divide.

Creative Economy Capital: a new investment framework

Creative Economy Capital would bridge the gap between capital providers and creative businesses, ensuring that different sources of funding can effectively flow into the sector. By addressing structural barriers that have historically limited access to finance, it would create a more coherent and accessible route for investment. Embedded within an existing financial institution, such as the British Business Bank, it would serve as an investment platform, pooling capital and tailored to meet the specific investment needs of different types of creative businesses through access to:

COMMERCIAL CAPITAL:

- Public-backed guarantees to de-risk investment in high-growth creative enterprises.
- New IP-backed lending models, ensuring businesses can leverage intangible assets as collateral.
- Expansion of venture and equity finance tailored to creative business models.
- A regulatory environment that supports creative investment

SOCIAL IMPACT CAPITAL:

- Structured finance for creative enterprises delivering measurable social impact (e.g. inclusion, education, regional development).
- Investment tracking using economic, social, and cultural performance indicators to align with impact investment frameworks.

PHILANTHROPIC CAPITAL:

- Dedicated impact investment allocation for cultural organisations that deliver societal value but lack commercial viability.
- A structured philanthropy register, providing a transparent and efficient mechanism for directing philanthropic capital towards cultural initiatives.
- Fiscal incentives to increase corporate and private philanthropic support.

Unlocking investment through data & market transparency

The lack of comprehensive data on capital flows into the creative industries exacerbates underinvestment. Creative Economy Capital would both support and benefit from the UK Government's proposed National Data Library. By contributing anonymised data, it would enhance the visibility of investment patterns in the sector, whilst also drawing on insights to identify funding gaps and regional imbalances. Improved data on creative sector performance would increase investor confidence and enable evidence-based policy and financial interventions, ensuring future funding mechanisms are aligned with real market needs.

At its core, Creative Economy Capital would represent a bold step towards creating a streamlined, transparent and impactful financial framework for the creative economy. Acting as a 'single front door', it would simplify access to tailored financial solutions for businesses and organisations across the cultural and creative industries, regardless of their size, stage or geographical location. As a transformative model, this could unlock private investment but also empower creative organisations to navigate the complexities of the financial landscape and establish the UK as a global pioneer in creative finance.

Realising the Potential of the Cultural and Creative Industries

The UK's cultural and creative industries contribute approximately 6% of the UK's Gross Value Added (GVA), highlighting their crucial role in driving the nation's economic performance. Over the past decade, the creative sector has not only demonstrated resilience but has also delivered remarkable growth, consistently outperforming other sectors, such as manufacturing and financial services.[5] Between 2012 and 2022, the creative industries' GVA increased by 41%, far outstripping the 14% growth achieved by manufacturing and the modest 2.5% recorded by financial services. This exceptional trajectory underscores the dynamic nature of the creative economy, driven by innovation, intellectual property (IP) and the global demand for British creative talent and content.

GVA GROWTH ACROSS CREATIVE INDUSTRIES VERSUS TWO OTHER INVEST 2035 GROWTH SECTORS

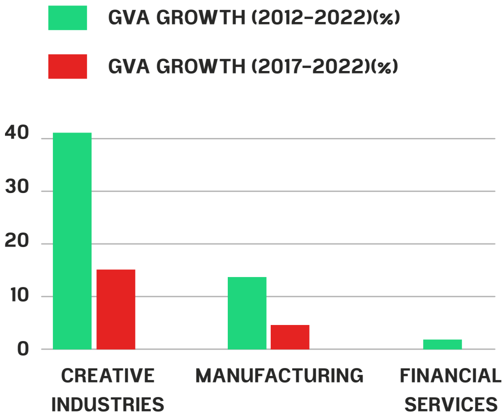


FIGURE 1: GVA GROWTH FROM 2012 – 2022 AND 2017 – 2022 FOR CREATIVE INDUSTRIES, MANUFACTURING AND FINANCIAL SERVICES[6]

As the third largest exporter of the creative services globally, behind only the US and Ireland, the UK's cultural and creative industries generate $87 billion in exports

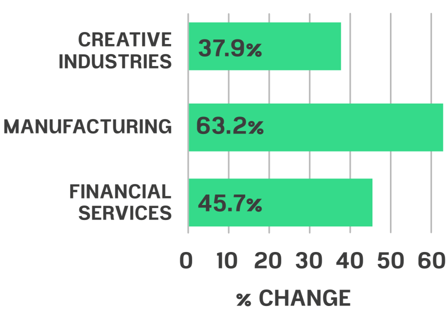
5 House of Lords Library (2024) Contribution of the arts to society and the economy

6 These sectors were selected for comparison as they are the most identifiable via SIC-2 codes and consequent have greater data availability for a meaningful comparison and have little (if any) overlap with the Creative Industries; full SIC code categories available here: onsdigital.github.io/dp-classification-tools/standard-industrial-classification/ONS_SIC_hierarchy_view.html

annually.[7] The UK stands as a global leader in digital and cultural content, with one in ten songs streamed worldwide originating from British artists.[8] In 2023 alone, the UK attracted £4.23 billion in production spend for screen industries, with 78% coming from inward investment – a testament to the international confidence in the country's talent and output. These achievements showcase the sector's capacity to deliver significant economic benefits and its role as a cornerstone of the UK's soft power, shaping global perceptions, fostering cultural influence and strengthening international relationship. However, despite these strong performance metrics, the UK's cultural and creative industries continue to face challenges in attracting sufficient levels of investment, particularly compared to other priority sectors identified for development through the forthcoming UK Government Industrial Strategy.

FIGURE 2: ANNUAL GROSS FIXED CAPITAL FORMATION FOR CREATIVE INDUSTRIES, MANUFACTURING AND FINANCIAL SERVICES[9]

PRIVATE INVESTMENT (ANNUAL GROSS FIXED CAPITAL FORMATION) CHANGE BETWEEN 2012 AND 2022 BY INDUSTRY. (CVM. 2022 PRICES)



Regional strengths within the creative sector demonstrate a rich diversity, with particular subsectors flourishing in distinct areas. Research from the Creative Industries Policy and Evidence Centre (Creative PEC) has highlighted these geographic specialisations, which reflect the ability of different regions to capitalise on their specific assets, from infrastructure to talent pools.[10]

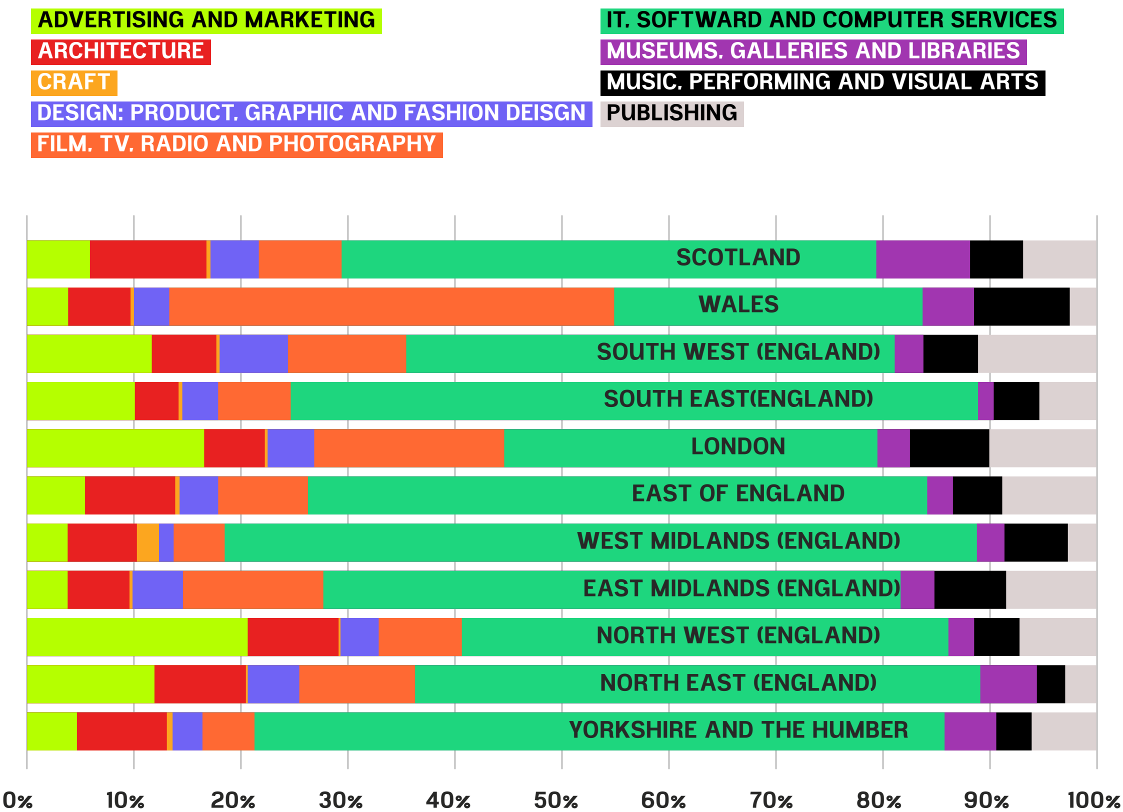
The chart (fig 3) demonstrates that certain creative industry subsectors, such as IT, software and computer services dominate the creative industry workforce in many regions, sometimes accounting for over half of the total employment in subsectors and varies significantly from region to region and reflecting the particular strengths and specialisations of local economies.[11] This regional variation not only enriches the UK's creative ecosystem but also illustrates the potential for place-based investment strategies to harness untapped growth opportunities.

Regional growth strategies increasingly recognise the economic potential of the cultural and creative industries, with targeted investment that reflects their capacity to drive local prosperity. A further pivotal step in this direction was the UK Government's recent announcement of a £60 million funding package designed to stimulate growth across the country by:[12]

- investing £40 million over 2025/26, including a further £16.3 million for the Create Growth Programme, £2.5 million for the Supporting Grassroots Music Fund, £5.5 million for the UK Games Fund, £1.6 million for the Music Export Growth

7 UK Government (2024) Invest 2035: The UK's Modern Industrial Strategy. October 2024
8 Ibid
9 Annual Gross Fixed Capital Formation figures sourced from here: www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/annualgrossfixedcapitalformationbyindustryandasset
10 Lyons, M. S. & Connolly K. (2024) Improving economic statistics in the creative industries: Towards multi-regional creative industries satellite accounts. Creative Industries Policy and Evidence Centre, April 2024
11 As noted in PEC's report (referenced in above) FTE statistics do not fully capture the realities of the sector, which often relies heavily on freelancers, volunteers and unpaid roles.
12 DCMS (2024) £60 million boost for creative industries to turbocharge growth. Press release, 17 January 2024

FIGURE 3: REGIONAL DISTRIBUTION OF FULL-TIME EQUIVALENT (FTE) EMPLOYMENT ACROSS THE CREATIVE SUBSECTORS IN 2021 (EXCLUDING NORTHERN IRELAND)



Scheme and £7 million for the UK Global Screen Fund;

- increasing support from the British Business Bank (BBB) to drive growth across the sector;

- increasing support from UK Research & Innovation (UKRI) to drive public investment in R&D in the creative industries which better reflects the size, economic contribution and future growth potential of the sector;

- targeting support for priority regions identified as the North-East, Greater Manchester, West Yorkshire, West Midlands. Greater London, West of England, South Wales, Glasgow, the Edinburgh-Dundee Corridor and Belfast;

- allocating additional resources to six Mayoral Combined Authorities (MCAs) – North-East, Greater Manchester, Liverpool City Region, West Yorkshire, West Midlands and the West of England – to strengthen local creative ecosystems and build attractive business environments

This public investment is an extremely welcome step forward in unlocking the potential of the UK's cultural and creative industries. By targeting priority regions and providing additional funding for MCAs, the UK Government has laid important groundwork to drive economic growth and create jobs. Critically, the BBB's increased support for creative businesses presents a significant opportunity to leverage public funding to attract greater private investment. By channeling this support through innovative structures, the UK Government can catalyse significant private sector engagement, derisking investment and creating sustainable financial vehicles that are tailored to the needs of creative businesses.

However, to address the full scale of the sector's needs, there is an urgent requirement for a financial solution that can bridge gaps across the entire creative ecosystem, alongside public investment in R&D that reflects the sector's economic significance and future opportunities.[13] A well-designed framework could act as an umbrella, pooling resources from different funding streams (public, private and philanthropic) and deploying them strategically to address the varied needs of the sector.

13 In line with R&D recommendations made by the Council for Science and Technology: **Harnessing Research and Development in the UK Creative Industries**, October 2023

Addressing Barriers to Growth and Sustainability

The UK's cultural and creative industries operate as dynamic ecosystem characterised by interdependencies among various subsectors, reliant on one another for growth, innovation and sustainability. Recent research highlights how these industries thrive on circular relationships, with talent, tools and ideas flowing between subsectors to create a self-sustaining and adaptive system.[14] One clear example is the movement of talent frequently shifting between roles and disciplines, transferring skills and bringing new perspectives across the creative economy. Subsidised cultural subsectors, such as performing arts and museums, to name just a few, act as incubators for talent, tools and ideas that often transition into creative industries with market-driven outputs.

The interconnected nature of the UK's cultural and creative industries underscores the need for an ambitious investment strategy that addresses systemic financial challenges and takes a patient capital approach. Recognising the creative sector as an ecosystem means understanding that financial barriers in one part of the system – be it access to commercial finance for creative businesses, or reductions in funding for subsidised cultural institutions – have ripple effects throughout.

Unlocking potential: capital flows and investment challenges in the commercial creative sector

Despite commercial aspects of the cultural and creative industries being a vital driver of economic growth, recent findings from Creative UK and Creative UK PEC research into access to finance for SME-size organisations underscores the entrenched structural barriers that impede growth and reinforces the case for systemic intervention.[15] Key insights include:

- Despite 56% of creative organisations expressing strong growth ambitions, access to finance consistently emerges as a dominant constraint, cited by 60% of firms; well above concerns related to competition or workforce challenges or technological disruption.
- Crucially, 41% of creative organisations reported that existing financial products do not meet their needs; and investment-ready firms were among the most affected, suggesting that current financial

14 Virani, T.E. (2023) [Towards a Creative and Cultural Industries Ecosystem Perspective. In Virani, T.E. (eds) Global Creative Ecosystems. Dynamics of Virtual Work. Palgrave Macmillan, Cham]

15 Bakhshi, H. & Dorsett, R. (2023) Job Mobility in and Around the Creative Economy. ESCoE Discussion Paper 2023018

mechanisms are ill-equipped to support organisations at this pivotal growth stage.

- 51% of organisations felt that financial institutions perceived them as riskier than they are, suggesting a lack of investor understanding of the sector's growth dynamics.

- 41% of organisations with financial needs did not intend to apply for finance or were unsure, often due to a lack of awareness of available options (with 33% not knowing where to find information), and a perceived inability to meet investor requirements.

- 63% of equity investment was concentrated in London and the South-East; whilst creative organisations in smaller micro-clusters outside of major urban centres were nearly twice as likely to view finance as a barrier, compared to organisations in established clusters.

- Creative organisations were almost twice as likely to identify R&D investment opportunities than other SMEs but were often unable to capitalise on these due to a lack of funding.

- 67% reported engaging in innovation (compared to 55% of SMEs) and 33% in export, versus 20% of SMEs.

These structural barriers highlight a misalignment between the financing needs of creative businesses and conventional risk assessments models used by investors and also reveal broader issues related to visibility, awareness and accessibility. 51% of creative businesses cite the perception of higher risk amongst investors as a significant barrier, due to the heavy reliance on risk evaluation models that do not account for the dynamics of creative organisations, which frequently derive value from intangible assets and operate on long-tail revenue models. For instance, projects in immersive theatre or experimental digital art may initially generate modest returns but possess the capability to reach broader audiences through innovative marketing and distribution strategies. The inability of many existing financial products to accommodate these dynamics leaves even highly investment-ready creative organisations underserved. Developing new financial products tailored to the reality of creative enterprises that are built upon the value of intangible assets is essential.

The fact that 33% of organisations were unaware of available financing options points to critical gaps in outreach and information. Collectively, these barriers constrain the ability of creative enterprises to innovate, grow and fully realise their potential to deliver economic, cultural and social value.

CAPITAL FLOWS INTO CREATIVE BUSINESSES

Capital flows into creative businesses are inherently diverse, reflecting the varied nature of the firms. The financial needs and funding models differ significantly depending on their subsector, business model and stage in the business lifecycle. Figure 4 below provides an indicative overview of funding sources; simplifying the complex landscape of capital flows.[16]

The scarcity of detailed data on capital flows presents a significant challenge in tracking how investment moves through the cultural and creative industries. This lack of clarity adds complexity, making it harder for businesses to identify and secure the funding they need at key stages of growth. Without robust data, it becomes difficult to align funding sources with the diverse and evolving needs of creative sectors, particularly in regions or subsectors that are underfunded.

To address this challenge, the UK Government's recently announced National Data Library offers an opportunity to establish a dedicated data observatory function.[17]

16 This representation is not exhaustive and intended solely as a general guide

17 DSIT (2025) AI Opportunities Action Plan –Ramping up AI adoption across the UK to boost economic

FIGURE 4: INDICATIVE FUNDINGS SOURCES ACROSS THE BUSINESS CYCLE

SEED STAGE
- Grants & Public Funding
- Friends & Family
- Personal Savings
- Credit Cards
- Start Up Loans

STARTUP
- Crowdfunding
- Start Up Loans
- Angel Investors
- Inubators & Accelerators
- Personal Saving
- Band Loans & Debt

EARLY GROWTH
- Venture Capital
- Band Loans & Debt
- Regional Funds
- Tax Relief

EXPANSION
- Venture Capital
- Band Loans & Debt
- Private Equity
- Tax Relief
- Regional Growth Funds

MATURITY
- Private Equity
- Margers & Acquisitions
- Tax Relief

Whilst the National Data Library will primarily be designed to enhance access to public sector data, the UK Government has acknowledged the pressing need for greater visibility into private sector funding streams, particularly equity and debt investments to support targeted growth.[18] A data observatory, embedded within the National Data Library, or another existing institution, could systematically track where investments are being deployed across different sectors and benchmark performance, providing an unprecedented level of transparency and insight. In the first instance, the data observatory would focus on the sectors identified for development through the UK Government's Industrial Strategy. Key priorities for this observatory function would include:

- Source of capital: public, private and philanthropic contributions.

- Stage of investment: mapping at which stage – early development, growth, or scale-up – each capital type is deployed.

- Regional allocation: where funds are being invested geographically to identify any regional imbalances. Research from PEC had shown that there are significant regional investment imbalances, with a substantial proportion of equity investments concentrated in London and the South-East.[19]

- Subsector focus: understanding which elements of the cultural and creative industries attract the most investment and identify those in need of additional support.

- Return on investment: both financial returns and social impacts of investments.

- Capital structure: understanding the structure of deployed capital – whether this is in the form of debt, equity or hybrid instruments – to highlight trends and limitations.

growth, provide jobs for the future and improve people's everyday lives. 13 January 2025

18 Ibid

19 Siepel, J.; Rathi, S.; Cowling, M. (2024) Growth Finance for the Creative Industries. State of the Nations research series. Creative Industries Policy and Evidence Centre

By mapping where investments are concentrated and identifying where shortfalls exist, a data observatory could become a transformative resource for policymakers, investors and industry leaders. It would provide the clarity and insight needed to shape more informed investment strategies, ensuring resources are directed to where they can generate the most significant financial outcomes. With its ability to highlight gaps and opportunities, the observatory would empower stakeholders to take evidence-based actions that strengthen the cultural and creative industries and maximise their contribution to the UK's economy and society.

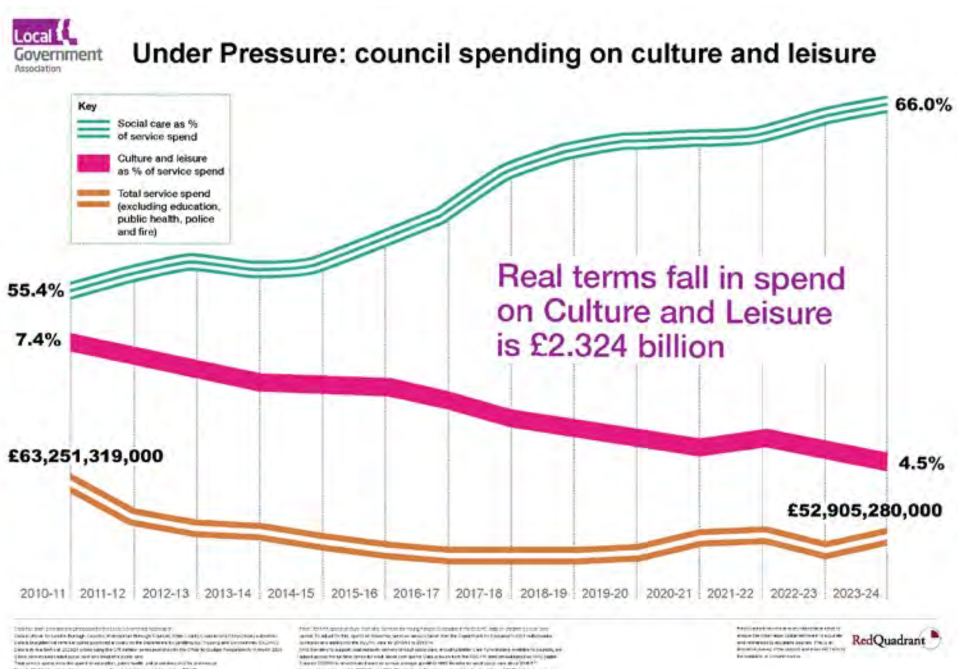
Improving capital flow data should also coincide with improved data collection on creative industries research and development (R&D). The Science and Technology Council has already highlighted the need for a stronger foundation of R&D data and evidence across the cultural and creative industries.[20] Better data will support more inclusive R&D tax relief policies, whilst tailored guidance and case studies will help creative organisations to navigate eligibility, ultimately strengthening investment flows and reducing administrative burdens associated with tax relief claims.

Sustaining the foundations: challenges in cultural funding

Cultural organisations face mounting challenges in securing sustainable funding, which threatens their capacity to support the broader creative ecosystem. In England, local government funding for culture, once the cornerstone of cultural activity, has been steadily declining, with council spending on cultural and leisure services falling by

20 Council for Science and Technology (2023) [Harnessing Research and Development in the Uk Creative Industries](), October 2023

FIGURE 5: REAL-TERM DECLINE IN COUNCIL SPENDING ON CULTURAL AND LEISURE SERVICES IN ENGLAND (2010/11 - 2023/24)



£2.3 billion in real terms since 2010/11.[21] This decline has been driven by growing pressures on essential services, such as adult and children's social care, and a significant reduction in core spending power over the past decade. Over 90% of current funding streams are limited to three years or less, creating a cycle of uncertainty that forces cultural organisations to focus on short-term survival, at the expense of long-term growth and meaningful community engagement.

Figure 5 illustrates the intense financial pressure on the cultural sector. This stark reduction in funding reflects shifting local spending priorities that leave cultural institutions under increasing finance strain and eroding the foundational support that underpins the creative industries ecosystem. Addressing this pressure is not just a matter of safeguarding cultural activities; it is essential to maintaining the broader creative infrastructure that supports talent development and cross-sector collaboration. A more sustainable and ambitious approach to investment is needed – one that not only addresses these funding shortfalls but also strengthens the interdependencies between cultural and commercial creative activity.

Lessons from the Loi Aillagon

France's Loi Aillagon, introduced in 2003, provides an instructive example of how fiscal policy can transform cultural funding landscapes. This legislation introduced generous tax incentives to corporate and individual donors, including deductions of up to 60% for businesses and 66% for individuals, capped at specific thresholds of taxable income.[22] Over the past two decades, this law has revolutionised cultural sponsorships, with corporate cultural patronage growing from €109 million in 2003, to €930 million annually by 2022.[23] The law has not only increased the volume of philanthropic giving but also fostered long-term partnerships between cultural organisations and private sponsors, demonstrating the clear fiscal incentives can shift philanthropy from sporadic support to sustained strategic contributions.

Whilst the UK's Gift Aid scheme has been instrumental in providing tax relief on charitable donations, HMRC data shows that Gift Aid is only applied to around half of all individual donations by value.[24] A survey conducted by the Charity Finance Group revealed that one-fifth of charity leaders reported difficulties in claiming Gift Aid, highlighting administrative challenges that may deter organisations from fully benefiting from the UK's scheme.[25]

Adopting targeted fiscal measures inspired by Loi Aillagon could strengthen private patronage in the UK and incentivise new sponsors for culture and the arts. The scale of the fiscal incentive in France is substantial and it is not our contention that this generosity would necessarily be mirrored here in the UK. It's clear that any UK adaptation would need to be designed with fiscal sustainability in mind, ensuring appropriate balance between incentivisation and overall revenue neutrality. Nonetheless, France's model has significantly increased investment in the arts and catalysed greater participation from individual and corporate donors , paving the way for enduring partnerships that provide the culture sector with stability and resilience.

21 LGA infographics reveal fragmented culture funding needs reform | Local Government Association
22 20 ans de la loi Aillagon : la mutation du paysage français du mécénat
23 Financial Times (2025) The UK should take a leaf from France's book to boost arts funding, Martin Prendergast, 19 January 2025
24 Quality report: Charity tax reliefs - GOV.UK
25 Charity Finance Group (2024) Breaking down the barriers: Gift Aid survey results 2024

Recognising the value of both subsidised and commercial creative activity

The investment challenges faced across the UK's cultural and creative industries highlight the need for an innovative, integrated approach to meeting their distinct but interconnected requirements. Creative Economy Capital offers an opportunity to bridge these gaps, by providing a financial framework that accounts for both commercial and cultural value. Subsidised organisations play a critical role in nurturing talent, tools, ideas and innovation, which in turn strengthens the broader creative economy.

At the same time, creative businesses are faced with persistent barriers to investment and risk models that typically fail to fully recognise the potential long-term value of creative intellectual property (IP), alongside the significant spillover benefits they provide to local economies. The multiplier effect of the UK's cultural and creative industries demonstrates this: for every ten jobs that the sector directly supports, a further seven are supported elsewhere because of supply chain multiplier effects. Similarly, for every £1 that the industries directly contribute to the wider economy, a further £0.50 is supported through the supply chain. [26]

Investing in the cultural and creative industries generates far-reaching benefits, both economic and social, underscoring the need for a unified approach to funding. These industries are not only vital to driving financial returns but also serve as a foundation for social cohesion, improved well-being, and stronger communities. Participation in creative activities has been shown to enhance educational outcomes, promote mental health, and build social capital, as evidenced by the Active Lives Survey.[27] However, the full potential of these benefits can only be realised through an investment framework that addresses the interconnected needs of both subsidised and commercial organisations. By bridging gaps in funding, recognising the intrinsic and extrinsic value of creativity, and supporting long-term development, this approach ensures that the cultural and creative industries can thrive and continue to enrich society at every level.

26 Oxford Economics (2021) [Developing Economic Insight into the UK's Creative Industries](). Report for Creative UK

27 Sports England (2024) Active Lives Adult Survey Nov 23-24 AND PLS INSERT HYPERLINK: Active Lives Adult Survey: Nov 23-24 - Official statistics announcement - GOV.UK

Creative Economy Capital – bridging finance for the full spectrum of the creative economy

Establishing a new funding framework for the UK's creative industries would provide an innovative solution to the persistent financial challenges faced by the cultural and creative industries. By pooling public, private and philanthropic capital, Creative Economy Capital could mitigate risks, enable cross-sector investment and catalyse growth across the creative economy.

With creative organisations able to access resources from public, private and philanthropic investors through a central entity - this approach would not only allow Creative Economy Capital to cater to different subsectors within the creative economy but also ensure that capital reaches enterprises at all stages of their development – from start-ups to established organisations seeking growth. Such an approach supports financial sustainability alongside broader social and cultural impact; allowing intermediaries to direct funding where it will have the greatest effect, without being constrained by rigid funding silos. We see three main sources of funds, public, private and philanthropic, flowing through the platform.

1. **For commercial and institutional money which tends to prioritise scalable, high-growth subsectors, public-backed guarantees or first-loss capital for companies or projects could de-risk investments and attract significant private capital into the sector, for both debt and equity investments.**

- Drawing on international models, such as the European Union's now closed Cultural and Creative Sectors Guarantee Facility (CCS GF) and its successor frameworks under InvestEU, Creative Economy Capital could address systemic barriers, align diverse funding sources and unlock growth across the creative economy.
- The CCS GF, established by the European Investment Fund (EIF) demonstrated the efficacy of public-backed guarantees in mobilising significant private capital for creative enterprises.[26] By providing partial guarantees to financial intermediaries, the facility shared the risk of lending to businesses often perceived as high-risk due to their reliance of intangible assets.
- The CCS GF demonstrated strong leverage, mobilising approximately €2.3billion of loans to over 3,000 cultural and creative businesses across Europe during its operations.[27]
- Under InvestEU, the EIF continues to provide guarantees to financial intermediaries, specifically targeting SMEs. Recent guarantees have included a €20 million agreement in Spain, that is projected to generate a portfolio of €230million in counter guarantees.

2. **Social impact capital, focused on funding projects with measurable social benefits: Creative Economy Capital could be a starting point to channel investment (public and/or private) into intermediary funds which prioritise measurable social outcomes, alongside financial returns.**

- By integrating economic, social, and cultural indicators into its fund selection, the diverse value generated by the investments could be measured, fostering transparency and better outcomes on the ground.
- We believe that there is considerable pent-up demand among private investors for social impact investments, with the constraint often being sufficient known projects to invest in.
- Creative Economy Capital could work to identify, support and help develop greater expertise and scale among intermediary funds, while providing oversight and tracking delivered benefits. This would enable more capital to be deployed in the areas where it is most critical and could do the most good. For this to succeed, it must effectively balance flexibility, strategic focus and robust oversight.
- A critical element of the structure would be impact measurement, focused on key metrics such as job creation, regional economic growth, audience diversity and community engagement.

3. **Philanthropic capital: This could support projects with high cultural or societal value but limited commercial viability.**

- The value of Creative Economy Capital would be to connect philanthropists with creators and projects. It could provide a recognised starting point for creators with projects in need of funding.
- To enhance the efficiency and impact of philanthropic giving, a structured philanthropy register, designed as a brokering platform, rather than a passive listing would aggregate high-impact cultural projects and provide a curated pipeline for philanthropic investor, ensuring greater visibility and alignment between donors and investable opportunities.
- It could also help collate and pool riskier creative ventures, helping funds or investors diversify risk across different projects within or across sub-sectors.

Alongside direct investment, creative organisations must also be able to fully access existing financial incentives designed to support innovation. Many creative businesses already conduct activities that qualify under HMRC's research and development (R&D) tax relief definitions, but they face barriers in applying due to uncertainty around eligibility criteria or administrative complexity. This represents a significant untapped resource for innovation-led creative organisations. The recently published Createch report by the Royal Anniversary Trust has made an important contribution in this space, setting out a clear and compelling case for an action research pilot to improve access to R&D tax relief for creative businesses. [28] The report highlights that many creative businesses already engage in R&D activities that meet HMRC's eligibility criteria but either struggle with the complexity of the application process or are unaware that they qualify. By addressing these barriers, the UK could unlock signification additional investment into innovation that innovative and IP-driven firms can fully benefit from existing incentives.

Building on this work, there is an opportunity to integrate structured legal and financial advisory support alongside Creative Economy Capital. This would provide businesses with a dual pathway to growth – leveraging direct investment through Creative Economy Capital and indirect financial enablers through tax incentives.

28 Easton, A., Watson, A., Webster, T., Windsor, G. (2025) **CreaTech: How fusion of emerging technologies and the Creative Industries can transform the UK's approach to skills, innovation and business**. The Royal Anniversary Trust, DCMS.

Ensuring a regulatory environment that supports investment in IP-rich businesses

A critical first step in enabling structured IP-backed finance would be the establishment of a regulatory sandbox, led by the Prudential Regulation Authority (PRA), as has been advocated by leading UK business bank, Natwest and Inngot, an IP valuation specialist. This would allow financial institutions to pilot lending and investment models that incorporate intangible assets as collateral. The World Bank's comprehensive analysis of seventy-three fintech sandboxes across fifty-seven countries highlights the global efficacy of this approach. The report emphasises that sandboxes not only promote financial innovation and new business models but can also facilitate direct engagement between regulators and innovators, leading to more informed and effective regulatory frameworks.[29]

A regulatory sandbox would provide necessary evidence on default rates and investment returns, helping to derisk future commercial lending, whilst enabling targeted capital requirement adjustments, allowing financial institutions to develop viable lending models without excessive risk exposure.

Leveraging expertise and partnerships for fund management

Establishing Creative Economy Capital would require leveraging a trusted and experienced entity to manage its operations. Whilst the BBB is a logical candidate given its expertise in supporting and developing fund managers to deploy capital, historically BBB's focus has been on enabling fund managers to deliver commercial capital to private enterprises, rather than direct fund management or addressing social and philanthropic dimensions. Whilst this role would mark an evolution for the BBB, its operational expertise and national reach makes it an ideal steward for a new investment hub. By serving as a central entity, the BBB could channel resources to intermediaries – including regional investment bodies, specialist fund managers and sector-specific lenders – who have the expertise to target capital effectively across the cultural and creative industries. The BBB's role would not be to micromanage investments, but to ensure that funds flow efficiently and in alignment with both regional priorities and sectoral opportunities.

Evidence from the Creative PEC report on impact investing highlights that blended finance structures, which combine concessionary capital with private funding, have been successful in sectors like arts and culture in the UK.[30] For example, Arts & Culture Finance has effectively leveraged public funding to attract private investment for high-impact cultural projects.

Strengthening financial institutions' understanding of the creative economy

This paper has highlighted a significant barrier to investment in creative industries caused by the lack of understanding among financial institutions regarding the business dynamics of the sector. The success of Creative Economy Capital would hinge on the availability of capital and financial intermediaries' ability to evaluate and manage investments effectively. To address this, the fund would need to be supported by expert organisations, capable of delivering tailored

29 World Bank Group (2020) Global Experiences from Regulatory Sandboxes. Finance, Competitiveness & Innovation Global Practice. Fintech Note No. 8

30 Sanderson, F., Phillips, S. and Maggs, D. (2023) Impact Investing in the Cultural and Creative Sectors – Insights from an emerging field, Creative Industries Policy and Evidence Centre

capacity – building programmes to equip financial intermediaries with the tools and knowledge they require to evaluate creative enterprises effectively.

SUPPORTING CREATIVE BUSINESSES TO BUILD INVESTMENT READINESS

In parallel, Creative Economy Capital would complement capacity-building initiatives like the UK Government's Department of Culture, Media & Sport (DCMS) Create Growth Programme (CGP), which focuses on investment-readiness support for creative businesses. The UK Government recently announced an extension of the CGP programme, which represents a further positive step towards equipping creative businesses with the tools they need to become more competitive and attract investment. It is anticipated that this programme could further evolve over coming years to provide even more sophisticated approaches to supporting growth. The development of Creative Economy Capital would build upon these efforts by ensuring that businesses supported through capacity-building initiatives have access to the financial products and capital needed to scale. Creative Economy Capital could work in parallel with a strengthened CGP by acting as the next step in the pipeline: bridging the gap between investment readiness programmes and actual deployment of funds.

SOCIAL IMPACT CAPITAL: STRENGTHENING MEASUREMENT AND ACCOUNTABILITY

Where Creative Economy Capital would be channelling capital to external private funds, it is important that a structured impact measurement framework is embedded into the allocation process, ensuring transparency, investor confidence and accountability.

The impact assessment model would integrate economic, social, cultural and environmental indicators aligned with best practices in impact investing.

A key innovation of Creative Economy Capital would be its emphasis on impact metrics tailored to both cultural and commercial sectors. By integrating economic, social and cultural indicators, it would be possible to measure the diverse value generated by investments. In order to balance the need for comprehensive impact assessment with the administrative capacities of creative enterprises, especially SMEs will require a proportionate approach with project-level reporting for investments explicitly designed to generate social impact and sector-wide measurement, relying on aggregated data from Government and industry research to track overall trends without imposing detailed reporting requirements on every funded SME.[31]

31 On behalf of DCMS, Frontier Economics has explored various methodologies to produce reliable estimates of the economic contributions of heritage organisations, acknowledging the challenges posed by the sector's fragmented structure. Whilst these initiatives underscore the potential for sector-wide measurement, they also highlight the need for robust data collection methods and the importance of balancing a comprehensive assessment with the administrative capacities of creative enterprises.

FIGURE 7: SUGGESTED STRUCTURED IMPACT ASSESSMENT FRAMEWORK FOR CREATIVE ECONOMY CAPITAL

IMPACT AREA	KEY METRICS FOR MEASUREMENT
ECONOMIC IMPACT	Gross Value Added (GVA) uplift; Increase in investment capital deployed in creative SMEs; Export revenue growth in funded businesses; IP valuation uplift for businesses securing funding
SOCIAL AND CULTURAL IMPACT	Workforce diversity metrics (such as the percentage of leadership from underrepresented backgrounds); Community engagement (such as total audience reach, educational programme participation); Creative content accessibility (percentage of projects meeting accessibility standards)
REGIONAL INVESTMENT BALANCE	Percentage of total funding allocated to regions outside London and the South- East; Increase in creative SME financing outside of major investment hubs; Economic multiplier effect
ENVIRONMENTAL SUSTAINABILITY	Reduction in carbon footprint; Percentage of projects integrating circular economy principles; Green investment leverage ratio (£ of sustainable investment attracted per £ of Fund capital)
WELLBEING AND QUALITY OF LIFE	Wellbeing Adjusted Life Years (WELLBYs); Social return on investment (SROI)

Creative Economy Capital: Theory of Change

Actions

- Pool public, private and philanthropic capital into an investment platform.
- Partner with a diverse network of financial intermediaries, including regional funds, sector-specific lenders, and investment bodies.
- Provide partial guarantees to financial intermediaries to de-risk investments in creative businesses.
- Develop and implement capacity-building initiatives for financial intermediaries to improve their understanding of creative sector business models and intangible assets.
- Support creative businesses with tailored investment-readiness programmes to improve their ability to secure financing.
- Generate and share capital flow insights through collaboration with the National Data Library to address data gaps in creative sector financing.
- Promote equitable regional funding allocation to address geographical disparities in investment.
- Provide a focal point for philanthropists, through a structured philanthropy register, to support projects with high cultural or societal value but limited commercial viability.

Deliverables

- Increased availability of flexible, tailored financial products for creative enterprises at various growth stages.
- Enhanced capacity among financial intermediaries to evaluate and support creative businesses effectively.
- Strengthened financial literacy and investment-readiness among creative businesses.
- Improved regional distribution of creative sector funding, with resources reaching underserved regions and micro-clusters.
- Comprehensive data on creative sector financing, including sources, stages, and returns on investment.

Results

- Reduced financial barriers for creative enterprises, enabling them to access appropriate funding for growth, innovation, and sustainability.
- Increased private investment in the creative industries, leveraging public and philanthropic contributions.
- Greater regional equity in creative sector investment, fostering economic growth and cultural resilience across the UK.
- A more resilient and collaborative ecosystem, with stronger relationships between financial institutions and creative enterprises.
- Expanded capacity for creative enterprises to scale, innovate, and generate long-term economic and social value.

Impact

- A thriving cultural and creative economy contributing to national economic growth, job creation, and social cohesion.
- Increased visibility of the UK as a global leader in innovative finance for the cultural and creative industries.
- A sustainable investment framework that supports the full spectrum of creative enterprises, from high-growth commercial businesses to subsidised cultural organisations with high societal impact.
- Long-term cultural and social benefits, including community regeneration, enhanced inclusivity and strengthened creative ecosystems.

Conclusion

The establishment of Creative Economy Capital represents a significant opportunity to address the financial challenges that have long constrained the growth of the UK's cultural and creative industries. By uniting public, private and philanthropic capital under a single framework, the approach has the potential to deliver a financial infrastructure that serves the full breadth of the sector's needs. Its design would ensure that creative enterprises, no matter their size, subsector or location, have access to the financial resources necessary to innovate, scale and contribute to the UK's economy and society.

This paper has outlined how Creative Economy Capital could act as a flexible yet unified vehicle for deploying capital, fostering regional equity and supporting businesses at every stage of their lifecycle; however, several critical steps remain:

- An exploration of the regulatory innovations required to support IP-backed finance, including the establishment of a regulatory sandbox, led by the PRA, paving the way for pilots of lending models using intangible assets as collateral and providing evidence on risk and return profiles.
- The operational framework of Creative Economy Capital will need to be developed to ensure its adaptability to the diverse needs of subsectors and regions. Tailored strategies for high-growth areas must be balanced with support for smaller, underfunded disciplines.
- The process of selecting and managing intermediaries, distributing capital and managing risk would need to be clearly articulated to build trust and confidence amongst critical stakeholders.
- It will be vital to develop a more detailed framework for measuring impact. Whilst this paper highlights the importance of metrics such as job creation and regional economic growth, further work is needed to create indicators that reflect the nuanced contributions of the cultural and creative industries. Leveraging models like Figurative's Arts & Culture Impact Fund and global best practices will help embed accountability and transparency into the Fund's operations.

The UK's creative economy has demonstrated its resilience and potential, but the structural barriers to investment demand bold solutions. Creative Economy Capital would provide a platform to meet these challenges head-on, supporting the sector's unique business models, addressing geographical disparities and delivering meaningful outcomes across economic, social, and cultural dimensions. Through a radical new approach, the UK can set a benchmark for innovative finance, supporting its cultural and creative industries to become more resilient, sustainable, and globally competitive.

NOTES