Committee for Culture, Arts and Leisure

OFFICIAL REPORT
(Hansard)

Inquiry into Maximising the Potential of the Creative Industries in Northern Ireland: Nesta

3 May 2012

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NORTHERN IRELAND ASSEMBLY

Committee for Culture, Arts and Leisure

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Members present for all or part of the proceedings:
Miss Michelle McIlveen (Chairperson)
Mr Dominic Bradley
Mrs Brenda Hale
Mr Michael McGimpsey
Mrs Karen McKevitt
Mr Oliver McMullan
Mr Robin Swann

Witnesses:
Mr Hasan Bakhshi   Nesta
Mr Graeme Downie   Nesta

The Chairperson: I welcome the witnesses to the meeting. You are straight off the plane; I believe you had to be diverted. Thank you very much for coming this morning. Graeme, would you like to introduce your group? Once you give an opening statement, we will follow up with some questions.

Mr Graeme Downie (Nesta): Certainly. Thank you very much for agreeing to call us to give evidence this morning. I will speak very briefly about the National Endowment for Science, Technology and the Arts (Nesta) more generally, and I will then pass over to Hasan, who is our policy director on creative industries, who will probably be the centre of attention for the sake of this session.

For those of you who do not know about Nesta, we operate in three areas to do with supporting innovation: in the economy, in public services and in the creative economy. As you may be aware, Nesta has recently changed from being a non-departmental public body (NDPB) to a charity. That happened on 1 April, and the process required the approval of the Northern Ireland Assembly. I pass my thanks to all the MLAs who very kindly agreed that.

As a charity, our focus will continue to be on innovation, although our new status requires a very welcome increased focus on education in the very broad sense of passing on our knowledge as well as promoting social good as we promote innovation. It also allows us to pursue different types of partnership and new ways of working, which will, we hope, provide some very new and exciting opportunities for us in future. In particular, we hope that this new status will lead to an increase in our work in Northern Ireland at both a policy and practical level. We have already been able to agree a

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partnership with the Department of Enterprise, Trade and Investment (DETI) on a Northern Ireland version of the innovation index, which is a measurement of innovative capacity specific to Northern Ireland. That is being taken forward with DETI.

Over the next few months, we are hoping to arrange some high profile activity including a visit from our chief executive, Geoff Mulgan, which will we hope include a focus on creative industries and particularly some work that we are aware of that is going on with Digital Derry. Beyond that, we hope to be able to continue building relationships both to increase participation from Northern Ireland in UK-wide initiatives and to develop specific partnerships here. This will culminate, we hope, in early 2013 with a major roadshow event in Belfast that will showcase Nesta's work across the UK, provide an opportunity to pass on our expertise to people in Northern Ireland and further cement relationships here.

That is a very broad introduction to what Nesta does and, with that, I will pass on to Hasan Bakhshi, Nesta's policy director for creative industries.

Mr Hasan Bakhshi (Nesta): Thank you, Graeme. I will spend a few minutes setting out the content of the submission to the Committee. There are three things that we do in that, the first of which is to rehearse the arguments for why the creative economy is a key focus of our work at Nesta. Graeme mentioned that there are three broad areas; why is it that we single out the creative economy as one of those? Secondly, we outline how we approach the creative economy at Nesta, which I increasingly describe as a connective approach. I will give some specific examples from our research and programmes, which I think are of relevance to Northern Ireland. The third thing we do in that submission is to suggest some high-level principles emerging from our work on how policy can support the creative economy.

Why have we chosen the creative economy as a priority? First, and it goes without saying, is because of the cultural value it generates. The UK's wealth of cultural assets serves as a resource for our creative industries, but they are the same cultural assets that give us a sense of community, continuity and memory. Indeed, they help define what the UK is as a nation. The creative economy also makes very significant contributions to economic activity. According to the UK Department for Culture, Media and Sport (DCMS), the 13 creative industries employ well over one million people and account for 5% to 6% of value added in the UK, but that number is considerably lower if certain sub-sectors within the software sector are excluded. Some of you will be aware of the slimmed-down DCMS classification that was adopted in December 2011. That put the contribution of the creative industries down to 2·9%, so that lower number reflects the stripping out of software.

Historically, we know that, whatever definition is used, the creative industries have grown at roughly twice the rate of the rest of the economy and are associated with high rates of product and process innovations. As such, they have been identified by successive Governments as high-growth industries: ones that should be nurtured as the UK attempts to rebalance its economy away from financial services.

We are also now beginning to understand that the creative industries make the rest of the UK more innovative too. There are a number of different mechanisms by which this seems to happen and that inform our work. The first is through the creative industries' supply chain linkages. In research that we published in 2008 with researchers from Oxford Brookes University and Experian, we showed that businesses and sectors with above-average spending on creative goods and services were more likely to innovate than firms in sectors with below-average spending on creative goods and services. This was a case using a wide range of measures of innovation through spending on research and development and design through to the number of product innovations and the size and variety of firms' product ranges. For example, we found that if you look at firms that spend double the average firm spend on creative services such as design, advertising and architectural services, those firms were 25% more likely to introduce product innovations than the average firm.

A second mechanism by which the creative industries are likely to support innovation in other sectors is through skills development and labour market mobility. To give another example, data from the UK household census in 2001 suggests that more than 50% of those employed in specialist creative occupations work outside the 13 creative industries. That figure was 54%; the majority of creative specialists are working outside the creative industries, embedded in industrial activities and other

sectors. That includes advertising and marketing professionals working in the legal and accounting sectors, product designers working in retail, craft-makers working in manufacturing, and so on. Combined with the fact that creative professionals frequently move between creative sectors as defined by the statisticians and other sectors of the economy, this suggests that the creative industries play an important role in developing creative talent in the wider economy.

The third mechanism by which the creative industries appear to support innovation in the wider economy operates at a much more local level. In a comprehensive mapping of the geography of creativity in the UK, which we published in 2010, we detected a striking tendency for some creative industries to co-locate with other high-innovation sectors such as knowledge intensive business services and high-tech industries, echoing research findings seen in the US. So, for example, the advertising, software and computer games sectors strongly co-locate with knowledge-intensive business services and high-tech industries.

Of course, correlation is not the same as causation, but in our case-study work on creative clusters, we detected evidence that there is knowledge transfer from the creative industries into these other sectors, and that is a two-way flow. Critically, it is only in those creative clusters where connective networks have already been developed between the sectors. It does not just happen in the air. Those sorts of knowledge transfer processes seem to occur when there are institutional links between different sectors. As innovative, fast-growing sectors are deeply entwined with the other sectors of the economy, at Nesta we have concluded that we need policies and policy institutions that are more responsive to the fast-changing needs of businesses, which are, importantly, more connective, and the impacts of which are better measured and more effectively evaluated so that policies that are working quickly can be scaled up and those that are failing can be abandoned.

I will briefly give you a couple of examples of work that we have done at Nesta. The first is a scheme called Creative Credits, which was designed by Nesta in partnership with Manchester City Council, a couple of the research councils and the now-defunct North West Development Agency. Inspired by the research that I mentioned earlier, suggesting that creative businesses appear to stimulate innovation in other sectors of the economy through their supply chains, the creative credits scheme aims to boost innovation in small and medium-sized enterprises (SMEs) by connecting them with creative service businesses. We are connecting SMEs in different sectors with creative businesses. The scheme was piloted in Manchester in 2009 and 2010, and involved the issuance of £4,000 innovation vouchers, which we call creative credits. The idea is that SMEs that were awarded those credits could use them — they had to put in some of their own top-up money — to buy in services from Manchester-based creative businesses of their choice. It was a business-led scheme. The vouchers could be used on services and suppliers that were the choice of the SMEs themselves. In fact, two thirds of the SMEs in Manchester used the credits on website-related projects. As a result, because it was market-led, it was very cheap and easier to administer, because there was no active brokerage by an intermediary. Obviously, in the current fiscal climate, that makes it a potentially interesting model for other funders.

We found that 80% of the connections between SMEs and creative businesses would not have been made in the absence of the creative credits scheme. Some 80% of the SMEs awarded credits claimed that their experiences had left them more predisposed to innovation. We will shortly be publishing some research that looks at the commercial bottom line of those SMEs that are engaging in the scheme and compares their commercial performance with those businesses that did not participate. Although there is no time to talk about it here, we structured the scheme as a randomised control trial, which allowed us to evaluate the additional impact that that intervention had with a great degree of confidence.

The second exemplar initiative that I want to mention is the digital R&D fund for arts and culture. Again, that is a partnership between Nesta, the Arts Council England and the Arts and Humanities Research Council (AHRC) and, separately, with Creative Scotland and the AHRC in Scotland. The basic idea is to connect arts organisations, technology companies and academic researchers to engage in disciplined experimentation with new technologies in a controlled way to test how digital technologies can deepen the relationship that arts organisations have with their audiences and to explore new business models. In the scheme's pilot, we are supporting eight different projects in England. We are just about to make the awards for the pilot in Scotland with Creative Scotland.

The point I want to make is that, like creative credits, that fund is sector-led, in that the arts organisations are given a huge amount of freedom on what propositions they want to test and how they want to test them. It was an incredibly popular scheme, with just under 500 applications chasing under £500,000 in funding. On the back of the success of that pilot, we are pleased to say that the partnership organisations — Arts Council England, Nesta and the AHRC — have committed to rolling out that fund very significantly over the next three years. I would welcome opportunities to explore its adoption in Northern Ireland. The fund was connective and created new relationships between those three different constituencies — arts organisations, tech companies and academics. It is also connecting organisations across traditionally segmented parts of the arts and culture sector, like national museums and young theatre companies. In some ways, those are the most intriguing connections that we are making with the fund.

To conclude, aside from the contributions that the arts and creative industries make to our cultural lives, the high rates of innovation and high growth potential of the creative industries account for the interest that policymakers show in them, but those same characteristics explain why making policies for them is exceptionally challenging. Nesta's view is that the answer lies in policies and policy institutions that are more responsive to the industry's rapidly changing needs, that place greater emphasis on the connectivity that underpins great creative work, and, importantly, that can be rigorously evaluated so that we know what works and what does not.

The Chairperson: Thank you very much. If you are content, members will now ask questions.

One of the issues that the Committee has come across in its inquiry is that we have a lot of fantastic creativity in Northern Ireland but the issues are in the crossover from being creative to being a businessman or businesswoman. Entrepreneurial skills are required. In your paper, you suggest Starter for 6, which is now being used on licence by Creative Scotland. Can you expand on that and how you think something like it may be of assistance to artists in Northern Ireland?

Mr Bakhshi: Graeme, you may want to say something, given your involvement.

Mr Downie: I will kick off. The Starter for 6 programme was the reason why we created the Nesta office in Scotland. It was the initially designed and set up just to run that one programme. It was building on an old Nesta programme called Creative Pioneers. It was large scale and involved taking people away, locking them in a room and giving them very intensive support. In Scotland, we worked with partners to develop a new programme which was much more about transferring that kind of creativity and knowledge, quite often with students out of arts school, and giving them the hard-nosed business skills that they would need to develop.

The key thing about the programme is that we did not tell the people at the beginning that they were being taught how to write a business plan. They were essentially taken through a six-month process with some workshops and training days, a lot of online coaching and informal mentoring and, at the end, we turned round and said, "By the way, you have just started a business." And they said, "Thank God you did not tell me that when we started." So a lot of it was done through subterfuge.

We ran that programme very successfully for three years and now it is operated under licence to Creative Scotland and the Cultural Enterprise Office. We also produced on the back of it a "creative industries toolkit", on which we did a couple of workshop sessions with Ulster University to pass on that learning. It is also now widely used by universities across the UK. If you ever really want one, you can also purchase it on Amazon, believe it or not, which is another good way of getting that kind of knowledge out there. It is something that we still use very much as a baseline for a lot of our practical work and how we manage to develop that kind of skill. Out of the 240 sole businesses we were able to support over three years, some 12 or 15 of them turned into high-growth companies supported by Scottish Enterprise, which requires a criterion of a £5 million turnover inside the first three years of business. That is a type of business that, frankly, could exist anywhere. They do not have to be in a particular location, but by making sure that this kind of idea is supported in Scotland, that business is able to exist.

The Chairperson: In relation to Starter for 6 and — also the R&D Fund, which is very interesting — you comment in your paper that you have made approaches to the Department of Culture, Art and Leisure (DCAL) to explore possible ways of working with it. Can you elaborate on the discussions that you have had and what feedback you received?

Mr Bakhshi: Graeme, you could say how the discussion was put together in the first place.

Mr Downie: We discussed the R&D Fund as a potential programme with DCAL officials. Our sense was that we got there slightly too late for their budget planning. They were not able to come in and support us initially. However, we are carrying on the discussions and we hope that we can maybe build something with DCAL in the future. As Hasan mentioned, we are very keen to establish that kind of partnership. It is something we are keen to look at.

The Chairperson: Did you discuss with DCAL the concept of Starter for 6?

Mr Downie: We were happy to pass on the learning for Starter for 6, but, as an innovation agency, it is, frankly, not something that we would run again. Having found a model that works, we are happy to provide informal advice and support, but we would not re-run the programme, to be perfectly honest.

Mr Bakhshi: It is probably worth saying why our answer for Starter for 6 is different to that for the R&D Fund. The way Nesta works is that we try to put as much structure as we can around a prototype to pilot a new way of supporting innovation. Once we get to a stage where we feel that we have a model that is successful, the goal is really to disseminate and share learning. It is fair to say that the R&D Fund is a very new type of intervention. There have been many business support agencies that have tried to devise ways of improving the commercial skills of creative businesses, but the R&D innovation area is much more immature. Although we have these various pilots, we feel that we still have not quite refined the model, and that is one of the reasons why — certainly from my side, at least — there is a compelling case for exploring how that model might work in Northern Ireland, compared with Starter for 6. The case for that model has really been made.

Mr D Bradley: Good morning. Thanks very much for the presentation. Why have you not had such a high degree of activity in Northern Ireland to date?

Mr Downie: There are probably a few reasons for that. It has been a bit of a two-way thing. First, we do not tend to get a lot of applications from Northern Ireland to UK-wide programmes, which is always quite disappointing to be honest. As a result, there has been a sense on our side that we have not done enough to promote the work that we do across the UK and to explain that we are here as a centre of expertise and learning and really should be used as a resource. We have to push that a bit harder, and, as I mentioned at the beginning, we are very keen to increase our activity in Northern Ireland over the coming period. If members of the Committee have any suggestions as to how to take that forward, I would be delighted to have individual discussions and take them forward.

Mr D Bradley: It would be useful if you could publicise to a greater extent the services and facilities that you have available. I am sure that the Committee will assist you in doing that. Do you work mainly through Government Departments? I heard you mention that you had contact with DETI and DCAL and arm's-length bodies. Do you work directly with small and medium-sized businesses as well?

Mr Downie: In Northern Ireland, it has been a bit of a mix. Our work here has primarily been with DETI and DCAL. We did a little bit of work with the Department of Education a few years back. There have also been discussions and policy sharing with organisations like the Confederation of British Industry (CBI) and the Institute of Directors (IOD) in Northern Ireland. We produced a report on economic growth in Northern Ireland two years ago called 'Stepping Forward'. That report was on how to take forward innovation in Northern Ireland and was quite widely supported by organisations like Microsoft and BT, representatives of which attended its launch. On the creative industries side, our work has mainly been through discussions with DCAL.

Mr D Bradley: Have you had any discussions with the Arts Council of Northern Ireland?

Mr Downie: Oddly enough, I have. I was here two weeks ago and had a very good and interesting discussion with representatives from DCAL and the Arts Council of Northern Ireland about various issues, including the R&D fund and another programme that we are running across the UK called Destination Local, which is a hyper-local media call that is open to anyone from across the UK. The Arts Council of Northern Ireland and DCAL both agreed to help us push that out to their contacts to try to encourage more applications from Northern Ireland for that programme.

Mr D Bradley: Am I correct in assuming that, in the future, there will be greater awareness of your facilities and activities in Northern Ireland, and greater engagement?

Mr Downie: I certainly hope so. As I said, we are in discussions with DETI and others about putting together a visit here for our chief executive, Geoff Mulgan, later in the year. As part of that, we will be putting together small round-table discussions and events to really try to make sure we understand — there has been a lack of understanding from our side, perhaps — exactly what our role in Northern Ireland should be. We are going to really try to have quite intensive discussions with different sectors around the different areas we work in to try to understand better what we should be doing here, where we can play a significant role and where we can add the most value. That is something that we will really build upon quite strongly.

Mr D Bradley: When you are designing your various activities and facilities, do you take into account international best practice? If so, what countries do you find to be more innovative than others in that respect?

Mr Bakhshi: We are fairly well internationally networked, through research on the academic side and through agencies that are actively supporting businesses. To illustrate how that might work, I was on an expert panel that the European Commission convened on services innovation a couple of years ago. I was there as a representative of both the UK and the creative industries. If you look at the authorship of all our reports, you will see a lot of international collaborations. There are patterns in the countries that tend to come up, and it is quite interesting to reflect on why that is. I have a disproportionate amount of Australian collaborations. I was in Brisbane and Sydney just a few weeks ago. There is a huge interest there, and they follow what we are doing. Likewise, it works the other way around.

This is a point about innovation more widely, but one tends to find, time and again, in countries like Denmark, Finland, and Sweden — Scandinavian countries — whether through collaborations or meetings, that we occupy the same social and professional networks. There are definitely patterns. It is interesting. We can talk a bit about why those patterns exist, but those are the sort of countries that you asked about. Our new chief executive is a big internationalist who is very well networked internationally. He has done a lot of work in emerging markets, so, increasingly, we are building relationships with academics and support agencies in China, Brazil and India. I recently began an R&D collaboration in Beijing. Going ahead, I think that emerging markets are likely to appear quite significantly in our connections.

Mr D Bradley: Currently, is your headquarters in London?

Mr Bakhshi: Yes.

Mr D Bradley: Do you have any regional offices?

Mr Downie: We have one office in Dundee. That is the only office we have outside London. As I said, that was set up a few years ago to deliver just the one programme that I mentioned, and has carried on from there.

Mr Bakhshi: Part of the challenge we have is scale. There were 70 of us in Nesta, and in the creative industries and arts there are two of us, and one of them is part-time in policy and research. That number is a bit higher now. I do not know what the latest numbers are; maybe 90 or 100 or so.

Mr Downie: I think it is about 85; quite small.

Mr Bakhshi: If you think about the responsibilities across science, technology and the arts, one of the challenges is that we have to prioritise. Unfortunately, that partly informs where our relationships lie.

Mr D Bradley: I was just thinking that, considering the fact that Northern Ireland is maybe lagging behind England, Scotland and Wales in involvement in your projects, having a regional presence here might be a way of accelerating participation.

Mr Downie: I think it is about making sure that we are getting the best bang for our buck. If we can spend more time here and bring our expertise here, that would probably be more valuable as a first step. Putting boots on the ground can help, but I do not think it is necessarily the answer to everything. Obviously, decisions like that are for our chief executive. I would have to suggest it. It is slightly above my pay grade to comment on that.

Mr D Bradley: You can take the message back.

Mr Downie: I certainly will.

Mr D Bradley: Finally, why did you change from being a non-departmental public body to a charity? You obviously saw that as an advantage. How did it affect your funding?

Mr Downie: Our funding is from the National Lottery through an endowment we were given in 1998. We have never actually cost the taxpayer any money directly. We live off the interest from the endowment. Even when we were an NDPB, we were financially independent, which allowed a large degree of political independence. There was a feeling that putting us into the charitable sector and officially splitting us off from government would allow us a slight additional freedom, but would not essentially change the work that we do. It allows us to remain close enough to government to provide impartial advice and information, but to try things that, due to the rules, we would not be allowed to do as a government body. It does open up some interesting opportunities for us. However, it has not fundamentally changed the way we are funded. The endowment is still how we are funded and how we will continue to fund ourselves. To some extent, it formalises the way that we always worked; as being politically and financially independent. It is a unique and, if I am being honest, very advantageous and fortunate position to be in at this kind of time.

Mr McGimpsey: I am sorry that I missed the earlier part of your presentation.

I note that, in your submission, you say that the creative industries are worth £50 billion to the UK economy every year. We are roughly 3% of that, so we should be on roughly £1·5 billion. I can tell you that we are miles and miles behind that. We have a long, long way to go.

I note also that you make a number of points to say that universities need to do more to promote innovation. Your mission statement states:

> *"innovation can solve some of the country's major economic and social challenges."*

I wonder whether you have considered how you can step back from universities and apply those principles more in schools. Bear in mind that large numbers of our children will never even smell university; they will not get near it. For them, doing exams, going to university, getting a degree, and so on, is not going to happen. That does not mean to say that they do not have innovation and creativity and a major contribution to make. Giving them that sort of goal to aim at and involving them will greatly help them. Again, your mission statement mentions solving some of the public's social challenges. Have you thought about how you apply in schools? I am not necessarily talking about having to go to university and get a degree to get into this game. It is similar to other types of profession. Have you thought about getting into schools to encourage young people and give them an idea of what is available to them?

Mr Bakhshi: Both of us will want to chip in on this. I have a few thoughts. Working with schools and young people has always been a significant part of Nesta's work since its inception back in the late

1990s, but I have not been personally managing and involved in that area. In its current manifestation, Nesta has just launched a new digital education programme and is now speccing it out with its partners. As that programme's name suggests, it is primarily focused on how young people at school and also outside school in their lives more generally can use technology more effectively as an enabling technology to improve learning outcomes and meet their development needs. Nesta has an important strand of work in that area.

I turn to the creative industries specifically. I do not think that we included this in our statement, but, a couple of years ago, Ed Vaizey, asked us to work with Ian Livingstone and Alex Hope, who are two industry leaders in the video games and visual effects industries, to conduct an in-depth review of the skills needs of those industries. Between them, those two industries may be employing around 15,000 or so people. Estimates vary, but they are fairly small industries, yet they contribute very significantly to value added, and will do more so over time because they are growing very rapidly. Therefore, it was almost like viewing the skills needs of the high-tech creative industries through the prism of these two particular sectors. We found that what started off as being a skills review of two industries very quickly ended up as a fairly clinical assessment of the education system more widely. From the perspective of those industries, a lot of the barriers to or bottlenecks in developing talent were at school.

Campaigning is one of the methods that Nesta uses to effect change. It brings its research and its programmes together into building campaigns. To cut a long story short, that work led to a campaign called Next Gen, a schools review around bringing computer science into the national curriculum. You will probably be aware that that has been one of the areas where there have been significant changes in government policy since the publication of that review. It is still very much a live issue, so we are still working with the Department for Education and with educators and schools in trying to develop appropriate curricula that expose young people to, in this case, creative computing. That is how we like to think about it. It is not really a science, technology, engineering and maths (STEM) issue; instead, we use the acronym STEAM to include science, technology and the arts coming together. That is one area that I have been heavily involved with. Graeme, do you want to say anything more broadly about Nesta's work with schools?

Mr Downie: I will make two points. First, as much as we emphasise the importance of universities, some creativity and innovation has been shown up through Starter for 6. One example is that of a paramedic called Brian Carlin, who we nicknamed the accidental innovator because he designed a new piece of kit for getting people of car wrecks. You are right to say that we should not focus entirely on the people who we traditionally think of as being creative innovators as those who sit in universities.

We ran a programme in Manchester and London called idiscover. It exposed first-year and second-year high school pupils to new ways of learning. Rather than classes being given to them in hour-long slots, we exposed them to new experiences. The Manchester one involved people such as Manchester United, local theatres and other providers to give them something quite tangible. We worked with companies such as Apple, the BBC and STV to give them something quite real. If you were to sit a high-school pupil down and say, "Right; today, you are going to learn to be creative", you can pretty much guarantee that they will switch off instantly. If you give them something interesting to do that will really awaken their imagination and makes them enthusiastic about being creative by subterfuge, without telling them they are learning, you will end up with someone who will hopefully take that forward through other parts of their life no matter what they end up doing with it, whether that is going to university, setting up their own business or anything else.

Mr McGimpsey: Presupposing you have the full co-operation of the Department of Education, which is not necessarily a given, the issue is how we devise some form of curriculum that could be universally applied so that kids could go into computer suites, learn computer skills, develop familiarity with them, and so on. Is there an example or model that is being applied or used in other parts of the UK that we do not know about that would be useful for us to look at, which may give us a hand?

I am thinking of those youngsters who effectively leave school at 13, even though they may still be on the school list. They are supposed to go to school and may occasionally do so, but effectively, they are away from school. It is not because they do not have the capability; they definitely do. In this type of energy, you need A-level applied maths if you want to be an architect and work out a lot of the stresses

that go into construction, but a lot of this is around video, film and photography, and the digital exchange of information, so a lot of it is down to purely innovation, creativity, people having bright ideas and being able to apply them. We need to give our kids the sense that this is where they could be and get them to look to be there and to effectively have that as their goal or target. We want them to feel that it is not about doing exams, getting to university and then hopefully getting a job, but about releasing what they have got locked within them. Has anybody tackled this?

Mr Bakhshi: There is a fair bit of flexibility to implement the national curriculum for schools in England in different ways. I mentioned the 'Next Gen.' report. It was actually published in January last year, but the review started a couple of years ago. In that report, we showcased some examples taken from within the schools system. For example, at primary school age, we saw young people building video games using freely available software, and primary teachers used that in the classroom. There was incredibly progressive use of that software.

With some of these sorts of stories, you lose a lot of the vibrancy when you write them down in research reports, so we made a short film to go with that where we took cameras into a number of different schools in order to show what was being done. They were really quite inspiring stories. There are examples, even within the parameters of the national curriculum in England, of where gaming technologies, for example, are being used to inspire people.

Of course, there is a large number of schools. So, where is that information aggregated? The best way in is to work with those organisations that are representing these progressive interests. For example, there is a group called Computing at School, which a very bottom-up grouping of largely computer science, computing teachers and information and communication technology (ICT) teachers at schools. They all have a very progressive agenda about what technology can do and how it can be used. We would certainly be happy to put any partners in Northern Ireland in touch, because we have found them to have very efficient and effective ways of getting through to where these really interesting examples are. Knowing where to look can be very challenging.

Other examples include Teach First, which is a very interesting organisation that you will be aware of, and which is doing amazing work. It has a particular focus on improving educational outcomes in schools that are in challenging areas, which is a slightly different perspective from what we were looking at. The Science, Technology, Engineering and Mathematics Network (STEMNET) ambassadors bring progressive industry people into schools to find new ways of exposing young people to technology. We found that working with those organisations is a very effective way of getting through to those schools.

Mr McGimpsey: We know the pathways for becoming a doctor, a solicitor, a welder or a bricklayer. So, it is about working out the pathway and explaining it to youngsters. That is really what I am trying to get at.

Mr Bakhshi: To be honest, that has been identified as a priority. Creative Skillset, the sector skills council for the creative industries, has identified that in precisely those terms. There is a need to spell out a creative pathway and then to communicate that to young people. It is a real challenge. Part of the difficulty is that there are a lot of different organisations representing different sectors, and they all have, for example, their own careers resources for young people. There is huge fragmentation, so it is very confusing. I do not think that I have seen the answer to that yet. However, I definitely agree with you. It has been identified as a big priority.

Mrs McKevitt: Thank you for your presentation. You spoke about effective interventions such as creative credits. Would you be able to provide us with additional information on the impact of credits for small businesses and how they would work in practice?

Your paper states:

> *"NESTA's research has found that UK businesses that invest twice as much in creative services as the average firm are 25 per cent more likely to introduce product innovations. However, many small businesses are unaware of these benefits".*

What plans do you have to advertise that more, particularly in this region?

Mr Bakhshi: One of the things I briefly alluded to earlier, which is worth bearing in mind, is that we set up Creative Credits to test out a new way of evaluating whether the mechanism works. One of the problems with all business support initiatives is that we do not really know what works, because the businesses that tend to apply for business support schemes tend not to be the typical businesses that policymakers are trying to target. You get, as an economist would say, selection bias. You do not know whether a business that is high performing after having gone through a scheme such as Creative Credits is high performing because it is better than the average business and was, therefore, always going to perform better or because of the initiative's impact.

I mentioned that we configured Creative Credits as a randomised control trial. Without going into the details, what that essentially allowed us to do, with a much greater degree of confidence, was assess the additional impact that the intervention itself — the credits — was having on business performance. We did that by tracking, over a two and a half year period, the business performance of the businesses participating in the scheme and those that applied to the scheme but did not actually get the credits. We randomly awarded the credits as well just to make sure that we did not induce any of the biases that I mentioned earlier. I say that because it means that I can say what I am about to say about Creative Credits with a much greater degree of confidence than is the case for any other intervention. I think that the methodology is probably the main learning from Creative Credits. When Governments are devoting hundreds of millions of pounds to business support, they really should put a small percentage of that into rigorously evaluating pilots, because then they will know what is working.

We found that the scheme clearly succeeded in connecting businesses that would not normally have worked together. We know that roughly eight out of 10 credits were used to form relationships between SMEs and different sectors, and creative business and that that would not have happened otherwise. Two out of the 10 SMEs may have gone on even without the credit to do their work. So, we know that as a model for connecting people — if you consider that connecting in itself is a good thing — this worked.

We published an interim report on this last spring. The one thing we learnt was that if you looked at the performance of the SMEs that participated in the scheme up to six months after the projects they had engaged with finished — so it is a short-term impact — you found that they were introducing more product innovations and new ways of managing innovation in their business than those that did not participate in the scheme. So, there was quite clearly a very significant short-term boost to how innovative those businesses were being. The research we are about to publish shortly shows that when we connected with those businesses again 12 months down the line — giving them a bit more time to look at the impact — we found that many of the benefits appeared to be attenuating. They are still there but are attenuating. We did a lot of qualitative and interview work with some of the businesses that participated in the scheme, and from that, we are able to pinpoint some of the reasons why those longer-term impacts were not sustained.

In summary, we found that businesses participating in the scheme innovated more and had higher sales growth than they otherwise would have. In the short term, there were very clear significant benefits. However, six months down the line, many of those benefits appeared to be disappearing. In some senses, you may think that what Creative Credits does not appear to have succeeded in doing is nudging businesses into permanently changing the way they behave. In many ways, that is not surprising. There was no brokerage in the scheme; it was purely transactional. We connected businesses and then observed how they performed. What we did not do was have any brokerage. That was deliberate. We wanted to test whether you could run a very cheap way of supporting businesses. We found that the answer is yes — in the short term, you can get very significant impacts by having this market-friendly mechanism — but that, if you want to sustain SMEs on the path to innovation, you probably have to do more work. That is certainly what we found in Manchester.

Mr McMullan: Have you spoken to Invest NI?

Mr Downie: We had discussions with Invest NI about a number of things. It was involved in discussions with DCAL on the R&D fund, as I mentioned earlier.

Mr McMullan: What level did those discussions take and what content did they cover?

Mr Bakhshi: That is the conference call we had. Graeme arranged a conference call between me, DCAL and Invest. We were still piloting the scheme, but I was very open about how much it cost to run it, what the different partners had put in and what we were learning. I am hoping that that was the first of many and there will be follow-on discussions. I am certainly very keen to continue to at least explore whether the salient features of this model can be adopted in Northern Ireland. We are piloting the programme in Scotland. The Welsh Arts Council has taken an interest, and BETT has taken a big interest. I think it will be quite important to explore whether the mechanism could work here.

Mr McMullan: Are you taking any funds with you or do expect to get funding?

Mr Bakhshi: Because we do have financial independence and a budget, the way that Nesta typically works — certainly the way I work with Creative Credits and the R&D fund — is to seed projects. However, our goal really is to test propositions that, if they work, are going to be taken up by our partners. Therefore, from my point of view, the pilots need to be co-funded and be partnership arrangements. That makes for a much more effective partnership. In the discussions I have, I would say, for example, that Nesta has already piloted this fund, put a significant amount of money into piloting it in England and put some money into piloting it in Scotland with our partners in Creative Scotland. At some point, when the model becomes sufficiently refined, I feel that that is the time when we should not bring more money into it. We have done our work. We are quite close to that with the R&D fund. We have persuaded our partners in England to roll this out into a full-blown programme. We are close to having a nuts and bolts programme. We share everything. We share the entire proposal, the nitty-gritty and the data that comes out of these evaluations. I publish all of it. I give out all the data. That is where I think our contribution ultimately lies, rather than in money beyond the piloting stage.

Mr Downie: That is a general point about the way Nesta works. Almost everything we do, or as much as we possibly can, is open-sourced. We share everything; as Hasan said, the nuts and bolts of the evaluations of programmes. Take one example: an evaluation of Starter for 6 in its first year that was not entirely complimentary. That was published and we responded to it, because the way to honestly test a pilot or new initiative is not to go in and say you will do it for three years — if it does not work after year 1, you need to change it.

Mr McMullan: So, you have financial independence. Who funds you and how much is that funding?

Mr Downie: We have an endowment from the National Lottery and we live off the interest from that.

Mr McMullan: What sort of money do you get from that?

Mr Downie: I think that our budget for this year is around £16 million.

Mr McMullan: So, to put a programme in over here, you would expect, at the very least, the Departments to co-fund that?

Mr Downie: That would be our usual model of working.

Mr Bakhshi: We do not have hard and fast rules. We are quite flexible. Take, for example, the Destination Local programme, which involves have partnerships in the regions. It can vary.

Mr Downie: The Destination Local programme is a very interesting way of co-funding a programme. What we have agreed with the Welsh Assembly and Creative Scotland — again, it is something on which we had initial discussions with DCAL — is rather than asking them to come to us with cash on the table, they have, essentially, ring-fenced a pool of money. In the event that we have programmes from Scotland or Wales, they will then co-fund the programme. What Nesta will not do, which I believe is entirely correct, is select programmes on a geographical basis. We will support the best applications and programmes.

Mr McMullan: Have you got co-funding from the Scottish Parliament and the Welsh Assembly?

Mr Downie: We have for some programmes. As Hasan says, we work in a flexible way.

Mr Bakhshi: Destination Local has got some —

Mr McMullan: Have you talked to the equivalent of DCAL in Scotland and Wales? Is there an equivalent?

Mr Downie: Yes. In Scotland, it is Creative Scotland. I was not a part of the discussions with the Welsh Assembly, but I think it was the central Welsh Assembly Government.

Mr McMullan: How much did they put into the programme?

Mr Downie: For Destination Local, they have not, as I said, put in anything directly, but Creative Scotland has ring-fenced £150,000 and, in the event of there being Scottish programmes, it will open up that money for us to support them. If there are no Scottish programmes at all, and no Scottish applications are successful, that money will not be spent but will go back to Creative Scotland.

Mr McMullan: What about Wales?

Mr Downie: I am not aware of the number for Wales. I was not involved in those discussions. I will have to get back to you with the numbers from the Welsh Assembly Government.

Mr McMullan: How many people do you employ at Nesta?

Mr Downie: I think it is round about 85 to 94.

Mr Bakhshi: It is currently 85. It is of that order.

Mr Downie: It varies. It is always under 100, so we are quite a small organisation.

Mr Bakhshi: There were 70 up until about two years ago, so we have expanded a bit.

Mr McMullan: Has Invest NI indicated that it might provide any funding?

Mr Downie: It has not been able to confirm funding yet.

Mr McMullan: Thank you very much.

The Chairperson: Do you find that your programmes work better where there is a defined creative hub in an area? You spoke about operating on a regional level, as opposed to through local authorities. What is your best experience?

Mr Downie: It varies. We have done a lot of work with one of the programmes that we are running at the moment from the Dundee office across the UK, called the Games Consortium. It is working with a number of games companies. Some of them come from the places you would expect. Dundee has a very strong video-games hub, as does Brighton. That also includes a company from Newcastle, which is not particularly known as a hub for this. So, it varies massively. Most programmes that we do are open calls to anyone. So, we tend not to work in just one particular area. Creative Credits in Manchester is probably an exception to the way we usually work. We are interested in the idea of the business, rather than intensively focusing on just one particular geographical area.

Mr Bakhshi: I think you end up having a bias. If you are a visual effects company working in Soho, for example, you are inevitably better placed to put in a more effective application for the funds and also to seek private finance because you are a part of that community. You are at the cutting edge,

absorbing information and all that stuff. So, I think that there is probably an inherent bias towards interventions generally towards clusters. That said, a lot of the work we do is about digital technology and, by its very nature, the work can be much more widely distributed. That is not to say that, in practice, it is always as straightforward as that. There are these tendencies for applications to cluster from areas where there are strong support networks. However, with these technology interventions, that is a countervailing force, as it were.

The Chairperson: Thank you for your presentation and for taking questions. That has been useful.

Mr Bakhshi: Thank you very much.