

Supporting the Creative Industries: The Impact of the 'Preston Model' in Lancashire



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Contents

Figures and Tables.....	3
Acknowledgements.....	4
Executive Summary.....	5
Introduction.....	7
Research Aims and Methods.....	8
Chapter 1. Lancashire’s Creative Industries.....	9
Lancashire – Dispersed Creativity.....	9
The Dominance of Micro Firms.....	10
Chapter 2. Making Clusters, Micro Clusters and Networks Work?.....	13
Key concepts - Agglomeration, Clusters and Networks.....	13
Five Issues with Clusters and Performance.....	14
Microclusters as an Alternative Approach.....	18
Investigation of Clustering in Lancashire.....	19
Perceptions and Benefits _____	19
Overcoming Barriers to Clustering_____	20
Young and Unstable Clusters Require Support to be Sustainable _____	21
Chapter 3. The ‘Preston Model’ of Community Wealth Building.....	23
Support for the creative sector should be developed to meet the specific requirements necessitated by the characteristics of individual locations (or place)......	23
The appropriate agencies identified by creatives, to provide support to their sector, are local authorities and universities. Consequently, any national strategy would be advised to work with these local actors, to co-create support networks appropriate to the specificities of place.	23
What Impact has the ‘Preston Model’ had on Creative Industries in Lancashire?.....	27
Assessing Upstream Anchor Impact_____	28
What is the Impact of Anchors on COVID Resilience? _____	32
The Multiplier Effect - Downstream Impact _____	33
The ‘Preston Model’ is more than Anchor Procurement _____	36
Chapter 4. Discussion and Recommendations.....	41
References.....	51
Appendix One: The Potential Contribution of Anchor Institutions to Creative Microclusters.....	60
Appendix Two: Simple (Keynesian) Multiplier Estimate.....	64
Appendix 3. Redefining Creativity- Business Survey.....	68

Figures and Tables

Figure 1: UK Cluster types	17
Table 1: How can clusters be encouraged or supported in their development?	21
Figure 2: The Inter-Related Aspects of the Preston Model	26
Table 2: Anchor Procurement Expenditure Supporting the Creative Business Sample, 2018/19 and 2019/20	31
Figure 3: Business Response to COVID strategies	35
Figure 4: Evidence of certain clustering tendencies in Lancashire Creative Industries	42
Table 3: The Potential Contribution of Anchor Institutions to Creative Microclusters	60
Figure 5: Lancashire Model spending	67
Table 4: A comparative view of business by organisation size (number of employees)	69
Figure 7: Survey response by turnover and sector	71

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Executive Summary

Before the COVID-19 pandemic, the creative sector was vibrant. It accounted for 5.8% of total UK GVA, employed 1.9 million people directly with a further 1.1 million creatives employed in other industries, and its annual growth rate over the eight years to 2019 had averaged 5.4%; a faster rate compared with many other economic sectors. The pandemic, however, has caused most creative industries a heavy blow. Sharp declines in revenue combined with non-standard employment relationships impacting creative practitioners' ability to access COVID-related business support packages have led to a challenging environment for the creative sector and represent the difficulties the sector might face in rebounding in the post-pandemic period. Support is therefore required to ensure that the sector 'builds back better'. The question this research report focuses on is what form this should take to deliver maximum benefit to the creative sector. The two options this research paper has considered are clustering and an anchor institution-based approach, based loosely around the 'Preston Model'.

The economic literature contains relatively unambiguous evidence that agglomeration and clustering are associated with the economic performance of firms and localities. However, there are two problems with over-reliance upon this approach. Firstly, the act of encouraging the relocation of firms and talented individuals in search of agglomeration economies inevitably has a detrimental impact on areas that are left behind. Thus, a cost-benefit calculation must be performed in each region or locality where this is proposed to occur. Secondly, the distribution of creative industries is not uniform across the UK, nor is the distribution of core cities around which agglomeration economies might be anticipated. Large areas of the UK do not sit within the 45-minute travel zone of large cities, and therefore spillover benefits to these peripheral areas are likely to be negligible or non-existent. Therefore to 'level up' and support 'left behind' areas, it is important to look beyond clustering to support the creative sector. Lancashire is a good case in point for the limitations of clustering. Most of its landmass lies outside of trickle-down agglomeration impact from Manchester or Liverpool. Moreover, the distribution of its creative firms is dispersed and not concentrated around one or even two natural points of focus. A Microcluster approach may be achievable, but even this requires time, and investment, which is only likely to be sustained by the involvement of external agencies.

An alternative approach is the 'Preston Model' of Community Wealth Building (CWB), an innovative policy intervention that ensures that local growth benefits local communities. The 'Preston Model' aims to: reorganise local economies in response to local economic stagnation; failed economic development plans based on inward investment; the concentration of funding towards the south; and as an alternative to trickle-down economics. The 'Preston Model' mobilises under-utilised local assets and capacity, in the form of human, social, environmental, institutional, and physical capital.

If correctly coordinated, the experience of the 'Preston Model' has indicated that anchor institutions can provide economic support to their local economies. Support can either be through direct procurement expenditure and building supply chains, with this impact being magnified via indirect and induced multiplier effects. Support can also take place indirectly, alongside the provision of other contributions, including the training delivery and the development of skills, encouragement of networking with consequent innovation and knowledge spillovers, together with the provision or facilitating of specialist services. Whilst individual organisations (such as universities) have often made a valuable contribution in these areas, the added value of the 'Preston Model' type approach is that this is coordinated and

mutually supportive, so the success of one initiative feeds into another. The intention is to construct an ecosystem where the whole is worth more than the sum of its parts.

The evidence presented by this paper largely validates this approach. The augmented set of anchor institutions was found to underpin 9% of turnover, during 2019/20, amongst the sample of creative industries taking part in this research. Moreover, the multiplier effect arising from the actions of creative firms themselves was estimated to be 1.47, implying that an initial investment of £1 million injected into the Lancashire creative sector, through anchor institution procurement expenditure, was likely to produce an overall economic boost to the county economy of £1.47 million. A fraction of this would, in turn, benefit the creative sector through indirect and induced effects.

This impact could be even greater if the generic support that the 'Preston Model' approach provides for the local economy as a whole, is enhanced by a more detailed focus upon the requirements of the creative sector. The present level of impact additionally occurs without the active participation of all prospective (augmented) anchor institutions, and nor did a majority of creative firms did not fully embrace the opportunities provided. Not all anchor institutions actively target the development of creative supply chains, nor create optimum conditions for innovation spillovers. Consequently, despite the promising baseline results outlined in this research paper, there is considerable room for further improvement. Securing the active involvement of all potential actors enhanced the local economic impact in the original 'Preston Model' initiative, according to provisional data. If anything, approaching this level of success were to be achieved with a broader-based 'Lancashire Model' for the creative industries, the multiplier effect would be substantially larger.

The paper concludes by identifying areas whereby an anchor-based model could be strengthened and used, as a substitute to, or complement with, microclusters. The proposed 'Lancashire Model' for the creative industries would be more focused upon the creative sector, target difficulties micro firms have engaged with procurement processes, include measures to promote access to external finance as a prerequisite for realising future growth potential, and act as a focus for delivery of skills (including business and leadership) training. It is proposed that the introduction of a platform cooperative and a linked set of co-working spaces could further facilitate networking and realise spillover effects, thereby enhancing productivity across the sector.

Our research points to support for the creative sector should be developed to meet the specific requirements necessitated by the characteristics of individual locations (or place). The appropriate agencies identified by creatives, to provide support to their sector, are local authorities and universities. Consequently, any national strategy would be advised to work with these local actors, to co-create support networks appropriate to the specificities of place. However, the 'Preston Model' provides a relevant example for many areas in the UK of how the creative industries can be supported outside of the trickle-down agglomeration impact of larger cities.

Introduction

The creative sector has been the most severely impacted by the COVID-19 pandemic. Whilst those parts of the sector most closely associated with digital technology have benefited from the shift to remote working and the substitution of multi-media consumption for physical forms of performance, the direct consequences of the pandemic, combined with indirect restrictions upon social interaction, has had a profound effect upon many creative industries. Some businesses have ceased to trade. Unprecedented government business support packages designed to 'bridge over' the most damaging aspects of the economic slowdown have prevented long-term damaging consequences for those parts of the sector it covered, with ONS data suggesting that 60% of its employees have been furloughed during the pandemic period. However, eligibility criteria have excluded a significant proportion of the freelancers, self-employed and micro firms upon which the creative sector relies. Therefore, it is not surprising that the creative sector is likely to require a programme of support to facilitate its recovery from the pandemic – to aid recovery and resilience, in addition to previous sector goals of encouraging sustainable growth and scale-up activity. Location (place) is an important determinant for successful and sustainable forms of local economic development in enhancing the value and dynamism of the local creative economy. However, the question for policy makers and sector stakeholders is how such support can be delivered and in what form.

One option is to seek agglomeration economies, through support or encouragement of the clustering of creative businesses. There is well-established literature indicating the potential that may arise from concentrating activity by creating dense supply chains and specialised labour markets, encouraging knowledge and innovation spillovers. However, not all areas of the UK are suitable to realise agglomeration economies, and not all cities are created equal in terms of their ability to deliver efficiency gains. There are also distributional and access considerations, a focus on facilitating the shifting of creative businesses, workers and activity to a limited number of settings will inevitably harm the rest of the country and it is not automatically obvious that gains in one place will necessarily outweigh losses in others. Moreover, encouraging the relocation of creative industries to a handful of the larger cities would create cultural deserts elsewhere in the UK. Regional theatres would be diminished if the talent which they utilise is encouraged to relocate to a large urban hub such as London or Manchester. It would create friction with the long-standing public policy objective of seeking to broaden access to culture and creative activity. Thus, despite the clear advantages inherent within a clustering or agglomeration strategy for certain geographical locations, there is a strong argument that it is not suitable for all places and communities across the rest of the UK. Hence, there is a need for policy makers and stakeholders to identify and utilise alternative means to achieve a similar set of objectives.

One approach, which might be suitable, relates to the 'Preston Model' of Community Wealth Building (CWB). This seeks to utilise existing local assets (people, capital, skills and ideas) to enhance the development of the local economy. It involves integrated utilisation of multiple anchor institutions, the steering of investment and facilitation of access to finance for the whole of the community, in the attempt to enhance economic activity within an identifiable region. The most obvious manifestation of this approach has been in encouraging anchor institutions to reconfigure their procurement to internalise social value considerations within their spending patterns. This has the potential to facilitate the development of local supply chains. Universities and other educational establishments amongst anchor institutions can additionally contribute towards redressing skills deficits in the local labour force and attracting new talent to the area. There is nothing particularly unique about this last point, as

educational institutions have engaged in such issues for a considerable time. However, the 'Preston Model' is unique in seeking to integrate this with procurement and investment initiatives, to create a more integrated approach.

This paper will, therefore, seek to compare the *potential* for clustering and 'Preston Model' type approaches in Lancashire, an area of the UK not identifiable as having agglomeration advantages. It is important to note that neither approach has been carried out within Lancashire comprehensively, and nor have those measures which have occurred been systematically focussed on the creative sector. Thus, the conclusions reached by this paper illustrate the impact that has been achieved without policymakers making a determined effort to benefit the sector. However, particularly in the case of the 'Preston Model' approach, even this baseline of procurement demand achieved a surprising degree of support for the sector during a particularly difficult period.

The research design combines mapping and secondary data, alongside insights drawn from survey and interview fieldwork. The project timeline enabled responses to be gathered from the latter part of the initial UK peak wave of COVID infections, the summer interregnum, and the early part of the Autumn second wave. Hence, it is anticipated that findings will be particularly relevant to policy makers seeking to develop support for the sector in the post-pandemic period.

Research Aims and Methods

The research aims to investigate the degree to which place-based initiatives have the potential to support and nurture creative clusters of businesses, as the economy slowly recovers from the COVID-19 and during the likely aftermath of an economic recession. The research sought to compare two different models of support for creative firms in Lancashire, namely:

1. Identify and highlight the extent and range of benefits for creative industries, resulting from the supportive environment potential offered the development of pre-existing or novel creative clusters; and,
2. Evaluate the 'Preston Model's economic impact on creative firms, its approach to building clusters (agglomeration) within a local market, including productivity, employment, and innovation spill-overs.

The project utilised a mixed-methods research approach, including a combination of secondary data, surveys and interviews. The first aspect that the fieldwork sought was to understand the concerns and perceptions of respondents to a range of potential modes of support that could be offered to the creative sector. Participants in the survey and interview phases were therefore questioned about their awareness of various alternatives, their attitudes towards participation and beliefs in terms of their effectiveness. They were asked to consider whether support for the sector should be originating and maintained by creative organisations themselves – or whether it could be encouraged or directed by external organisations, and if so, which would be the most appropriate. Respondent attitudes towards the significance of place were also investigated, as was the degree to which attitudes tended to lead to actions. Finally, barriers and enablers for awareness and identification of different approaches to providing support to the creative sector were examined.

Chapter 1. Lancashire's Creative Industries

The composition of Lancashire and its creative industries provides an important locus of study to understand economic development and regional creative clusters. Lancashire's creative and digital economy accounts for 4,500 businesses and 36,000 jobs in the region but represents only 6% of Lancashire's workforce (Lancashire Enterprise Partnership, 2019), in comparison to national representation of closer to 9% (Garner and Crowley, 2015). The locations of creative businesses in Lancashire vary across the breadth of the county, however over 40% of creative enterprises are in the local authority areas of Preston, Chorley, and Blackburn with Darwen suggesting that concentration exists in clusters across the region (Garner and Crowley, 2015).

Lancashire's creative industries are broadly representative of national norms with IT (Information Technology) and computer services the largest sector (41%), and Advertising and Marketing the second-largest component (13%) (Lancashire Enterprise Partnership, 2015). This suggests an underrepresentation of the traditional 'cultural' elements of Lancashire's creative industries component of the sector and scope for growth.

Lancashire – Dispersed Creativity

Lancashire consists of independent urban centres (cities and small towns) and rural landscapes, spread across a large area with no natural epicentre to concentrate creative outputs around. Connectivity is hampered by the inconsistent provision of public transport, limited digital infrastructure, and issues arising from the proximity of large cities outside the county. Lancashire's diverse range of populations lacks a single cohesive identity and it does not possess a single unifying source of governance, given the coexistence of district and county councils. All of this provides infrastructural challenges for the creative sector in the region, as there is often little innate drive of movement across the county to any central clearing house of activity. The geography of the region, therefore, presents a host of difficulties facilitating a united cultural identity and the exchange of knowledge, information and ideas. Nevertheless, strong partnerships and creative activity exist across the county.

Lancashire is a good example of the limitations of an agglomeration strategy. Lancashire has a higher population density than the average for England and Wales – measured as 422 people per square kilometre for the Lancashire-12 NUTS-3 area, or 492 for Lancashire-14 when including Blackpool and Blackburn with Darwen, compared to the England and Wales average of 394 (ONS, 2020b). Thus, superficially, it seems to be a decent candidate to deliver agglomeration economies. However, the county is comprised of several spatially dispersed large towns (i.e. Blackpool, Blackburn, Burnley, Clitheroe) and relatively small cities (i.e. Preston and Lancaster), meaning that there is not a single location around which agglomeration might manifest.

Looking at the surrounding region, the three closest large (core) cities are Liverpool, Manchester and Leeds. There are parts of the county that lie within the periphery of a 45-minute travel corridor to one of these large urban areas - i.e. Ormskirk and Skelmersdale to Liverpool, whilst Preston is approximately 45 minutes by train to Manchester. Interestingly, some forms of mapping put Blackpool within the commuting zone for Liverpool (Siepel et al., 2020), although off-peak travel by car takes around one-and-a-half hours, and the faster trains (one per hour) are 1 hour and 15 minutes duration. At this distance, the prevailing literature would suggest that any agglomeration effects created by concentration in these three large cities will have only marginal if any, positive impact upon even the

closest Lancashire communities (Rice et al, 2006). Whereas the adoption of a policy to encourage creative businesses and skilled labour out of Lancashire, to strengthen agglomeration effects within one or more of these cities, would have distributional consequences – weakening the economy and productivity in one area to benefit another. Similarly, any productivity effect arising from the improvement of transport links between the three regional hub cities (Manchester, Liverpool and Leeds) will have a much smaller benefit for the Lancashire economy. Certainly, this would be less than could be realised from alternative investment in transport infrastructure *within* Lancashire, rather than the focus upon moving people *out* of the county.

The ability to support the creative sector in Lancashire through the promotion of clustering is weakened by the spatial dispersion of activity. Lancashire is not featured in any of the creative cluster types (see Figure 1); not even as an “incipient cluster” which the report states is typically younger and less stable (Garcia et al, 2018). One previous study has identified one potential creative micro-hub in the North-West, centring around crafts and makers (Garcia et al, 2018), whilst another has identified potential microclusters in several Lancashire areas – i.e. Blackpool, Lancaster, Morecambe, Preston, Chorley and Burnley (PEC, 2020). It should, however, be noted that this earlier study focused upon mapping creative businesses, a definition which the authors acknowledge did not capture freelancers and self-employed workers (Garcia et al, 2018). Hence, whilst it provides a good level of understanding about where the larger creative actors are concentrated, this analysis does not entail a significant proportion of the creative sector, whose self-employment or business formation is more fluid and less formalised. Moreover, the logic of the conclusions reached by Garcia et al is that, even where microclusters do exist, they are likely to lack stability in the absence of some coordinating mechanism that served to sustain the arrangement.

There are, however, a set of established creative networks that have been established between those working in the creative sector in Lancashire. Collaborations are facilitated by organisations such as Creative Lancashire, Digital Lancashire and Arts Lancashire and the Lancashire Digital Skills Partnership, together with five Local Cultural Education Partnerships. Their efforts help to build capacity for Lancashire’s creative and cultural sector. In addition, nine organisations hold Arts Council England National Portfolio funding. These networks could potentially form the basis for a microcluster strategy, potentially aided by the aforementioned organisations if sufficient resources were made available to support this extension of their objectives.

The Dominance of Micro Firms

Figures by the Department for Business, Energy and Industrial Strategy (BEIS) indicated that, at the start of 2020, immediately before the COVID-19 pandemic, 5.98 million private sector businesses were registered in the UK, generating £4.35 billion of turnover, approximately 4.68 million of which had no employees, and generated £316.63million in turnover, whilst small businesses (less than 50 employees) accounted for 5.94 million businesses and £1.58 billion of turnover, and SMEs as a whole 5.97 million firms and £2.27 billion of turnover (BEIS, 2020: Table A). Thus, businesses with no employees accounted for 78.7% of private-sector firms and 7.9% of total business turnover, micro-businesses as a whole 95.8% of all firms and 21.4% of turnover, and all SMEs 99.8% of firms and 52.2% of turnover (ONS, 2020e). The North West has a slightly lower share of businesses with no employees (74.9%), whilst the business density rate for the region (946 per 10,000 adult population) was below the UK (1105) and England (1155) averages, and lower than the South, East and Midlands regions (ONS, 2020e: Table 12, Figure 8).

There were 312,395 Arts, Entertainment and Recreation firms registered across the UK, 91.4% of which had no employees, and only 0.4% of which employed more than 49 employees (ONS, 2020e: Table 4). In the North West, there were 20,975 businesses in early 2020, generating £19.05 billion in turnover. Approximately 18,620 (88.8%) of these businesses had no employees and generated £671 million in turnover, whilst 20,430 micro-firms were generating £1.2 billion in turnover. SMEs accounted for 99.8% of all businesses, some 20,940 in total, and generated 95.4% of all turnover (£20.01 billion; ONS, 2020e: Table 12). The corresponding figures for Lancashire were 88.4% (see Table 1). The creative sector in Lancashire is broadly compatible with the UK, albeit there is a slight discrepancy in terms of the younger, small enterprises. This may indicate a slight weakness in business conditions favouring start-up¹ enterprises. If this is the case, an appropriately designed system of support for the creative sector may be able to facilitate the realisation of any latent potential for additional support for nurturing new creative organisations in Lancashire.²

Categorising the creative sector of the North West, it is clear that there is a high share of smaller businesses, 91.4% of which have no employees, whilst a dearth of large firms within these industries has resulted in a greater dependency upon these smaller enterprises to generate the vast bulk (95.4%) of aggregate turnover. Indeed, the most current DCMS statistics note that 32% of the creative workforce is self-employed compared to around 16% across the UK economy (DCMS, 2021b). The small number of larger creative businesses, employing more than 250 employees, represented less than 1% of the creative industries in Lancashire and yet accounted for up to 14% of creative industry jobs. The dominance of micro firms within the creative sector can be interpreted in several different ways. It may, as noted by Chung et al (2018:8), reflect the “dynamic, lean nature of much of the creative industries”. However, it may also indicate the presence of individuals undertaking freelancing alongside other economic activities, such as being in paid employment. Finally, it may indicate a weakness, across the UK, in facilitating the development and growth of businesses, from start-up to scale-up (HM Treasury, 2015).

The composition of the creative sector and associated industries within Lancashire and the North West reflects a certain economic imbalance within the creative sector and this has several implications, not the least of which relates to the potential for efficiency gains and resilience to economic shocks. Previous studies suggest that micro firms and those with no employees are less likely to invest than larger firms (Keilloh et al., 2020) and hence they are less likely to benefit from increases in efficiency associated with new capital and technology. Moreover, where investment does occur, its funding is more dependent upon retained earnings for small and micro firms, with one study suggesting that around three-quarters of investment expenditure is derived from this source (Keilloh et al., 2020). Bank funding is the second most frequent source of investment funding; however, this is more difficult to secure in periods of uncertainty or when credit is constrained as during a financial crisis (Berger and Udell, 1998; Zubair et al., 2020). Thus, smaller firms have a weaker propensity for investment-led efficiency gains in normal economic periods, although this deficiency can be potentially offset, on whole

¹ A start-up is defined as an organisation that is less than two years old.

² On a potential different nuance, to the extent that this relative low number of smaller businesses in the creative sector reflects the practice of substituting sole-trader companies for what are essentially employee roles (which is a strategy employed by certain tax-conscious companies), then this difference in numbers will have little negative impact. It is therefore important to seek to distinguish between the likely motivations for business start-ups at this level, before designing appropriate supportive infrastructures.

or in part, through more rapid adaptation to changing market conditions. In periods of economic crisis, however, there is an additional challenge, in that bank credit is often more constrained, whether due to a credit crunch effect (such as in the aftermath of the financial crisis) or due to greater uncertainty and associated risk for business investment. Retained earnings, therefore, become even more important as a source of investment finance. However, the lower incidence of precautionary savings through retained earnings by micro firms threatened their continued viability during the prolonged nature of the COVID-19 economic shock (Cowling et al, 2020).

Before the COVID-19 pandemic, only three-quarters of micro firms reported making a profit, compared to 87% of SMEs more generally, whilst the median level of profits for sole traders was around £6,000, micro firms £15,000 and £300,000 for SMEs with more than 50 employees (BVA BDRC, 2018). When considering differences by industry, micro firms in the creative sector registered slightly lower levels of profit than the national average (Clark, 2021). The design of support for the creative sector should, therefore, take account of the specifics of place. These include the dispersion or concentration of creative activity, the governance of the area, the proliferation of larger urban hubs, the characterisation of creative businesses and forms of employment, and the presence of anchor institutions who could provide economic demand, skills renewal and/or coordinating functions. Therefore, the following chapters consider two approaches clustering and an anchor institution-based approach, based loosely around the 'Preston Model'.

Chapter 2. Making Clusters, Micro Clusters and Networks Work?

“An unconnected, ‘un-self-aware’ mass of creative businesses will not benefit from knowledge spillovers or lower transaction costs. Policymakers can help remedy this situation by supporting local business networks and bridging the gap between communities and groups with complementary resources and capabilities” (Bakhshi et al, 2013).

Key concepts - Agglomeration, Clusters and Networks

The terms agglomeration, clusters and networks are often used interchangeably, and yet they do refer to slightly different concepts. Agglomeration refers to the geographic concentration of economic activity which, following the work of Marshall (1890), provides firms with several advantages. These include demand advantages through proximity to large markets, facilitating economies of scale and reducing transport costs, dense supply chains easing collaborations, thick labour markets enabling specialisation and reducing search costs, and reducing transactional costs through reputational capital. Clusters, by contrast, typically refer to a geographic concentration of interconnected organisations, suppliers, and associated institutions in a particular field (Dirzu, 2012).

There is a plurality of cluster models in the UK, each with its distinctive strengths and weaknesses, since not all creative clusters grow in the same way (Garcia et al, 2018). Clusters may generate similar supply chain, labour market and knowledge spillover advantages to participants as agglomeration. In the creative sector, clusters have been perceived as beneficial, both in terms of generating the proximity benefits previously mentioned - including access to a skilled workforce, clients, suppliers, and supporting institutions – but also because lifestyle benefits created by cultural communities can bring additional advantages for creative firms (Siepel et al., 2020). Isolation has been identified as a potential cause of organisational underperformance (Derlukiewicz et al., 2020). Moreover, cluster development has been advanced as one means of levelling up to address the regional differences in creative industries activity (Tether, 2019). There are limitations to the implementation of creative clusters, whether due to competing commercial, non-profit and community components of the arts and cultural sphere, which can result in little solidarity between each group and on occasion or where private solutions to creative industries development predominate, accusations of gentrification (Markusen and Gadwa, 2010). There is also conflicting evidence that large top-down led schemes such as cultural quarters or mega-events (Olympic villages) that prioritize tourists over and above residents negatively impact local cultures (Jones and Wilks-Heeg, 2004).

Networks are a looser concept, describing the cooperation between several firms or economic actors who recognise their interdependence and common interests in achieving a specific set of objectives. Like clusters, networks can include a variety of actors, such as firms, financial institutions, educational and training providers, representatives of local and national government, associations of producers and a broad variety of social groups or community stakeholders (Maillat, 1990). Networks, like clustering, can facilitate the supply of talent. They tend to be slow to form and depend upon trust relationships (Fisher, 2006). Networks can generate some of the same economic advantages as clusters (Lobo and Strumsky, 2008).

The three concepts can be linked. Networks can evolve into clusters, whilst clusters are easier to maintain if based upon the trust and recognition of a range of common interests that denotes an effective network (Porter, 1990). Both could also be viewed as a specific form of agglomeration since the concentration of economic activity can enhance the formation of networks and clusters. However, it is also possible for clusters to form and/or networks to be established in situations of weaker agglomeration – such as towns, smaller cities or non-metropolitan areas – and still to secure many if not all of the agglomeration advantages. This is an important point to note when considering how support can be offered to the creative industries across the whole of the UK, because this encompasses a variety of settings, and must account for the realities of each region or locality.

There is clear evidence that agglomeration and clustering are if the circumstances are favourable, associated with the economic performance of firms and localities (Audretsch, D., and Feldman, 1996; BIS, 2010; Combes et al, 2005; Krugman and Venables, 1995; Overman and Leunig, 2008; Rice et al., 2006; Rosenthal and Strange, 2004). If encouraged correctly, a combination of clusters, agglomeration and networking can act as a “motor for growth” by facilitating the scale-up activities of the most efficient firms and hence stimulating productivity rates (Garcia et al, 2018). This perhaps helps to explain why creative industries tend to exhibit clustering behaviour in larger cities; both through the immediacy of servicing larger potential markets but also through efficiency gains derived from workforce talent pools and spillover effects. Indeed, one study found that, across the UK, 53% of creative industry employment and 44% of creative firms are located in only five cities (Garcia et al, 2018:21,23-5). However, there are several reasons why co-location strategies may be more limited in scope than advocates believe, and why they might not be appropriate for many locations.

Five Issues with Clusters and Performance

Recognition of a link between clusters and performance does not necessarily imply that policy interventions should be configured to secure a shift in the co-location of economic activity within the creative sector. There are five main reasons for this.

Firstly, conceptual frameworks are often quite ‘fuzzy’ or imprecise and there are basic disagreements over the importance of key aspects. For example, the literature has not reached a consensus concerning whether the spatial concentration is advanced by having more *specialisation* or greater *diversity* in cities and dense urban areas. Indeed, firms may gain advantages from both situations at different stages of their evolution (Duranton and Puga, 2001).

Secondly, not all cities or urban areas are created equal and vary considerably in the degree to which they can realise agglomeration economies. For example, the OECD (2020b) found that 11 large ‘core’ UK cities, excluding London, had comparatively low productivity rates by international standards. Moreover, although Ahrend et al (2014) found a positive relationship between the size of a city and productivity, this relationship was much weaker in the UK than in the other OECD countries included in the study. The report posited this was due to the London effect, as proximity to the capital appeared to enhance performance, whereas the link was weak for other large metropolitan areas. Using ONS data, the Centre for Cities ‘think tank’ came to similar conclusions, noting that large UK cities do not appear to generate significant agglomeration economies as they expand unless non-urban commuter-belt areas are included (Swinney and Enenkel, 2020). Thus, agglomeration economies for larger cities are not guaranteed.

Thirdly, agglomeration gains must be weighed against losses in efficiency in other geographical areas. Even if individuals are encouraged to relocate or commute into denser urban areas from towns, villages and smaller cities where they currently live and work, a sizeable workforce will remain outside these agglomeration 'hotspots'. Large urban areas are not equally distributed across the UK (Bakhshi et al, 2014). Areas such as Lincolnshire, Cornwall, Herefordshire, North Yorkshire, Cumbria, Northumberland, large parts of Wales and Scotland, do not lie within the optimum travel area to a large urban area and are therefore unlikely to benefit from initiatives focused on agglomeration economies. This can be seen very clearly in Figure 1, where even adopting a more flexible definition of cluster types than that based on core cities (creative capitals) and agglomerations considerations alone, there are still large sections of the UK where clustering is less relevant. Thus, simply encouraging a 'brain' or 'skills drain' to regional city hubs is likely to reduce the productivity of firms and former co-workers remaining outside these areas. Certainly, there is little or no evidence to support an excessive focus on a small group of core cities as a means of raising productivity and growth across the UK.

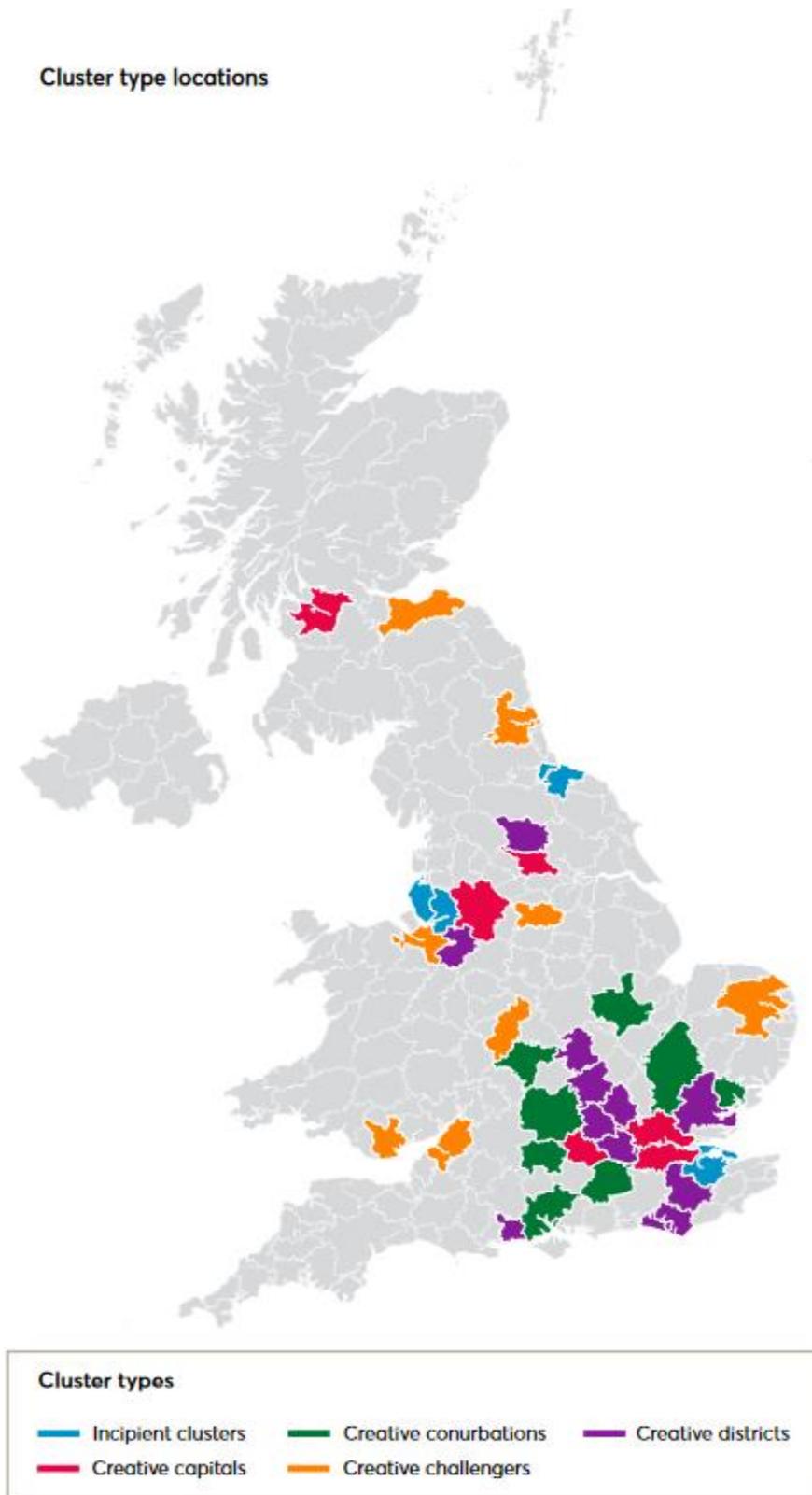
Fourthly, even where locational advantages exist, they do not necessarily remain constant over time. Creative industries have often co-located in urban areas with lower rents (Boix, et al, 2015). However, such neighbourhoods often become more fashionable over time, with the result that rents increase and many of the original creatives are priced out of the area. Thus, what attracted first movers might subsequently be unattainable for later potential entrants to a given location. Policy interventions could assist in this regard through the provision of low-cost co-working spaces. All of this makes it difficult to design policy options to influence cluster outcomes (Nathan and Overman, 2013).

Finally, any concentration strategy must take account of the reasons why creative businesses and freelance practitioners have chosen their current location, and how attached they may be to a particular place. This may include a desire to remain embedded within familial or friendship groups, or familiarity with the culture and history of an area. For some artists, it could be the quality of scenery and light that they find conducive to the quality of their creations. For others, it may be the sunk time investment in creating local networks of galleries, performance spaces or other forms of support for their activities, which they do not wish to replicate elsewhere. It may be due to what economists term *satisficing*, i.e. being satisfied with a certain standard of living or work-life balance, rather than continually striving after maximising opportunities. Whatever the need that their current location meets, likely, at least a proportion of creative businesses might not be particularly enthusiastic about support packages for the sector tied to their relocation within larger urban areas.

There is a price to be paid if, in search of agglomeration economies, activity is diverted away from peripheral areas of the UK. The inability to enhance efficiency gains in these residual areas, encompassing a large area of the UK landmass and population, will inevitably offset some of the gains delivered through the concentration strategy. Hence, the existence of agglomeration potential does not necessarily justify the provision of interventions aimed at moving more productive firms and individuals from less dense to denser areas (Glaeser, 2010). The strength of the UK economy depends upon activity within these areas not dragging down performance overall, and their citizens 'left behind' as a result. None of this is to reject the notion that UK cities outside of London do require additional investment to enhance their infrastructure and raise their productive potential closer to London levels. However, this in and of itself is not sufficient. If the 'levelling up' agenda is to create a sustainable rebalancing of the UK economy, policy makers must look beyond slightly widening the number of those large municipalities which benefit from support packages, to find a different way to support economic activity across that

proportion of the UK which lies outside its larger cities. Hence, the existence of this opportunity cost implies that it would be advantageous if there were an alternative approach that might be adopted for these areas.

Figure 1: UK Clustertypes



[source Mateos-Garcia et al, 2018:39]

Microclusters as an Alternative Approach

Recognition of the limitation for agglomeration economies for large parts of the creative sector has resulted in studies that have sought to investigate creative clusters on a smaller geographical scale; away from large urban centres and focusing more upon smaller urban and/or more rural areas. These microclusters are defined as encompassing a minimum of fifty businesses. A recent report identified 709 creative microclusters across the UK and that, crucially, participants were more growth-orientated and receive similar proximity benefits, such as access to skills, customers, knowledge and amenities than those firms operating within larger concentrations in the larger established clusters (Siepel *et al.*, 2020).

In terms of performance, there is some (pre-pandemic) evidence that microclusters could be more resilient than larger co-located groupings, as their participants have expanded (on average) during the pre-pandemic period. Despite their superior access to proximity benefits such as deeper labour markets, knowledge spillovers and a larger customer base, firms within larger creative clusters do not appear to have performed as well during the same period (Siepel *et al.*, 2020). It is always problematic relying on evidence drawn from early studies into a given phenomenon since there has not been sufficient time to develop robust evidence. Nevertheless, if this performance advantage is sustained, it seems likely that microclusters would have a similar opportunity to encourage scale-up activity and, as a consequence, would be deserving of public support to facilitate this opportunity for growth potential (Siepel *et al.*, 2020).

One factor cited as a potential determinant of this achievement is the ambition and drive shown by participants within microclusters (Siepel *et al.*, 2020). It is conceivable that the realisation of relative isolation and the desire to create stronger linkages with other creative firms as a means of overcoming any perceived competitive disadvantage may in and of itself generate greater dynamism. It would, however, take further research to identify whether this is due to a selection effect, i.e. firms who are more dynamic to start with are most likely to participate in microclusters and this accounts for differences in measured performance, or whether it is the act of participation, and what may perhaps be termed motivational spillovers, that generates this effect. Further research is also necessary to ascertain whether this performance advantage continues to be realised under more favourable market conditions, or whether concentration advantages reassert themselves over time. Nevertheless, this finding is interesting in that it indicates the potential for smaller groupings to achieve many of the outcomes more typically associated with larger clusters.

Access to external finance is a challenge for creative microclusters, and a barrier to their growth – this is especially the case for microclusters outside London and the South East (Siepel *et al.*, 2020). This highlights the need for a sustainable funding ecosystem, including both public and private capital that supports the levelling up of the creative sector outside London.

Microclusters offer an alternative approach to the core cities model to clustering, with its focus upon the realisation of those agglomeration economies appropriate to whatever urban or rural location within which the microcluster has been established. It is more flexible than a core cities strategy, in recognising that efficiencies can be achieved in a myriad of settings, rural as well as urban, towns as well as larger regional city hubs. However, it remains wedded to the same *modus operandi*, namely to facilitate or encourage the co-location of firms within a geographically distinct location, to secure aspects of workforce deepening, knowledge spillovers, denser supply chains and the joint consumption of essential amenities and technical services. The logic of the micro clustering approach is that, if

successful, it may develop into a fully-fledged large-scale cluster. To that extent, the approach may be perceived as a transitory stage within a broader cluster strategy.

Investigation of Clustering in Lancashire

Perceptions and Benefits

This research reveals relatively weak levels of awareness of clustering in respondents' daily practice. Only 14.9% of business survey respondents reported that they were part of a cluster, with a similar proportion stating that they had considered advantages in close spatial proximity to other creative businesses when selecting their location.

Of the minority of creative firms that more firmly identified with networks and/or microclusters, the most significant benefits were ascribed to discipline-specific collaboration. One interviewee stated that:

"I think clusters are important. I don't necessarily think that it should be purely based on geographic factors. I think that clusters can also be around similar or shared interests and objectives and I don't necessarily think that a cluster has to be within a set of neighbouring places to be really effective. You have to appreciate the disparate nature of somewhere like Lancashire and the specific interests around the agency that specialises in cybersecurity." Paul, Lancashire Creative Support Organisation

Another expressed the innovation and creativity that can emerge from collaboration with other creatives around a particular project:

"It's nice to work with other artists. They show you other ways to be creative, other ways to do work, other ways to think about business, there's just a lot that goes on it just becomes a very creative place, you get fired up in all kinds of directions and your work can go off in directions that you hadn't thought of as well." Tony, Photographer

For some creative businesses, enhanced meaning and innovation was a major benefit enabling creativity to thrive. For those respondents who expressed a preference, networking and clustering were considered positive in terms of facilitating new business ventures and providing selling opportunities. Others gave examples of technical or business support (i.e. assistance with social media) and enabling less formal functions, such as social activities. Access to deeper pools of skilled labour or knowledge spillovers appeared to be less significant for respondents. To the extent that these survey findings are typical of creative businesses across Lancashire, these points towards those microclusters that have been formed are often incomplete and immature, as they do not currently optimise potential efficiency gains for their members.

Despite a lack of engagement with clustering, fully 64.3% of respondents stated their belief that clustering could have a positive impact upon participating businesses. Participants cited a range of benefits that clusters could bring including networking, collaboration, gaining work, interacting with the community, and inspiring creativity. The paradox is, despite this opinion, creative firms had mostly not sought or realised their participation. This may reflect a lack of perceived value in locating and participating in a cluster, or that transaction costs and the lack of availability of opportunity precluded their involvement.

When asked in the survey how participation in a (micro)cluster had assisted the respondent's business, 25% anticipated enhanced productivity, whilst smaller but significant numbers of respondents additionally identified innovation and knowledge spillovers (19%), skills development (17%), together with providing a supporting framework within which the business could expand (18%) and increase capacity (16%). Many firms (54%), however, reported not participating in a cluster and therefore receiving no resulting benefit.

Overcoming Barriers to Clustering

There were various factors identified by respondents as creating difficulties in the creation and sustainability of creative microclusters and networks across Lancashire. The first related to infrastructure issues, giving rise to respondents describing the difficulties in transforming 'contacts' into collaborators. Given spatial diversity and persistent under-investment in coordinated and efficient transport infrastructure over several decades, at least compared to London and some of the other larger cities, it is perhaps not surprising that creatives find movement across the county time-consuming and imparting a sizeable opportunity cost.

A second barrier was identified as the challenge of sustaining networks for groups. Part of this problem pertained to the previously mentioned issue around the time commitment necessary to sustain younger and less stable microclusters. A third and related concern focused upon funding constraints faced by local authorities, particularly following the post-financial crisis austerity reductions in direct grant allocations, as these agencies might otherwise have been anticipated to assist or perform an initial coordinating role. This feeling was expressed by one contributor, in the following terms:

"I think that's one of the big problems for Lancashire and I think it will, in a sense it will always be like that, you know we can do all we can but when we're talking about a sort of myriad of relatively small towns with underfunded local authorities and a lack of facilities and what's more a sort of real lack of cohesion as a county." James Arts Collective

A fourth barrier was considered to derive directly from the diverse geography and identity of the many small towns within Lancashire, in that there was no coordinated governance structure or natural epicentre around which to focus activities. This is a feature of many UK localities outside the immediate influence of the very largest cities. Yet, for respondents, the implication was more significant than simply stating the problem of how to cluster effectively in the absence of agglomeration effects. Interviewees referred to a lack of 'pulling together' when developing investment proposals. Local rivalries could frustrate initiatives, and this has the potential to translate into fragmentation and a disincentive to collaborate rather than uniting as a cluster. One respondent expressed this sentiment as follows:

"The biggest problem about the fracturedness of the county is that in places like Liverpool and Manchester, where you have the Greater Manchester combined authority or whatever it's called now, but there's a very set, definite idea about what their priorities are and what the plan is and how everyone fits into it, so when it comes to competing for national funds they're all pulling and pushing in the same direction so that bid can be as good as it can be, but when it comes to Lancashire so frequently it's a case of one places in the county competing for their project,.... we do need to have step change and having a collective or a cluster mindset or mentality would

definitely be a winner for us all and an enabler to achieve greater investment.” Paul, Lancashire Creative Support Organisation

To understand how creative microclusters could be facilitated, creative businesses replied to whether they believed that clusters could be encouraged or supported in their development, or whether they had to emerge organically from existing interactions between networked creatives within a given area. Interestingly, only 2% of respondents adopted the latter position. Hence, most creative firms that engaged with the study accepted the role of one or more outside agencies to assist in the development of a (micro)cluster or another form of support network. When requested to identify which external agency would be best placed to do this, 23% of the sample indicated that national policymakers could perform this role, 49% advocate local authorities and/or the local economic partnership, with the remaining 26% suggesting the involvement of local universities (see Table 1).

Table 1 How can clusters be encouraged or supported in their development?

Answer	%	Count
No	2%	6
Yes, by national policymakers	23%	64
Yes, by local authorities or the LEP	49%	137
Yes, by local universities	26%	73
Total	100%	280

This response suggests that creative businesses tend to perceive a role in the creation and/or facilitation of creative microclusters and/or other forms of support for the sector, secured through collaboration between national and local policymakers, alongside other trusted anchor institutions. Yet, it is also clear that creative firms would prefer this support to be primarily channelled through local agencies, rather than the format being imposed upon the area from outside. Once again, this reaffirms the importance of place for creative businesses.

Young and Unstable Clusters Require Support to be Sustainable

Various factors may contribute towards this under-appreciation of the opportunities provided by clustering, not the least of which are low levels of cross-sector networking, the dispersed geography of Lancashire, and a general need for more support by anchor institutions to encourage collaboration. One survey respondent, for example, compared the under-developed nature of networking and clustering within Lancashire to its dominant regional city hub, when stating that “Manchester gets more work in by being Manchester”.

Concerns were repeatedly raised, about the difficulty of new entrants to establish themselves and for a viable career pathway to be established within Lancashire. One participant explained their concerns, thus:

“How do we make it so that we can find a way to make these careers sustainable, in a way that provides artists with the income that they need to live and survive and all the rest of it? But how do we ensure that we're not putting the same money in the same pockets.” Susan, Theatre Production

Agglomeration and large-scale clusters can meet this concern through the development of dense labour markets, thereby providing new entrants access to talent and giving creative individuals a variety of potential work opportunities. Microclusters are smaller, by definition, and have less scope to do the same, but can do so to some extent. ‘Preston Model’ support for creative supply chains can perform a similar role.

Scale and funding constraints, frustrating clustering potential, were raised by several respondents:

“There are some good people in positions, [edited for anonymity], there are some really good people, but they don't have really enough cash and our organisations are so small, so the capacity, the physical capacity to, in terms of someone's time, to get all this done on top of what they have to deliver just to meet their funding requirements is just, it's huge”. Jane, Production company

The time investment required to sustain younger and less stable clusters can also be significant. One respondent recorded their previous efforts and the “detrimental effect on our capacity for income generation”. The implication that can be drawn from this evidence is that the availability of resources and key individuals to facilitate the development and sustainability of clusters or microclusters.

The dislocation caused by the pandemic may have altered prevailing attitudes towards clustering, however, as interviewees pointed to the importance for creative businesses to get their heads up and come together, to network and generate knowledge spillovers as a result. One respondent expressed the sentiment, thus:

“I didn't feel like there was that sort of connectivity, and it's interesting that Covid has kind of pushed that to the forefront more. I think we've spent more time this year, talking to one another, supporting one another, and sharing practice”. Susan, Theatre Director

The COVID-19 pandemic raises two important issues. Firstly, the threat posed by the virus, and the restrictions placed upon sectoral activities in the effort to constrain its spread, may have encouraged wider and potentially deeper networking and other forms of engagement between creative practitioners than previously existed. This may be due to an attempt to create resilience through a ‘safety in numbers’ defensive reaction. Or a more dynamic, opportunity-focused attempt to emerge from a difficult business environment in a stronger competitive position, whether through the increased collaboration of innovation to develop new activities or product/service lines. Irrespective of the cause, there does appear to be provisional evidence that a greater proportion of the Lancashire creative industries are more open to collaboration within and without their sector.

The second factor is that networking need not be based upon spatial proximity. Individuals can form networks through remote as well as physical interaction. ONS data suggests that around 70% of UK adults have formed virtual networks through a variety of social media platforms, whilst a range of other

estimates place the number of global social media users at between 3.6 and 4.6 billion in 2021 (ONS, 2020a; Statista, 2021). Many of these virtual networks are for personal rather than business use. Nevertheless, the potential for remote networking is clear and trends in this direction have been magnified during the period of COVID restrictions. Sales are made using social media platforms, in addition to direct sales through business internet pages, whilst business relationships can be maintained remotely and it is likely that, even once the pandemic has become endemic, many formerly face-to-face meetings will continue to be held remotely through video conferencing platforms. Given the overlapping features of networking and (micro)clustering, creative businesses can realise many (but not all) of the

Recommendations

- Support for the creative sector should be developed to meet the specific requirements necessitated by the characteristics of individual locations (or place).
- The appropriate agencies identified by creatives, to provide support to their sector, are local authorities and universities. Consequently, any national strategy would be advised to work with these local actors, to co-create support networks appropriate to the specificities of place.
- Public funding should reflect the importance of place, rather than more narrowly following the core city model, to realise efficiency potential wherever opportunities exist.
- The recovery of the creative sector, and its growth potential, depends upon the accessibility of external finance. Policy makers should consider either establishing local funding streams or incorporating local input into national funding stream decisions, to reflect the distinctiveness of place.

efficiency gains associated with participation within a cluster of physically co-located firms. This is an interesting observation for areas, such as Lancashire, with a spatially dispersed creative sector. It is also something that the report will return to in the Discussion section.

The evidence drawn from this study indicates the potential scope for the further development of burgeoning microclusters. Key points to be addressed include the need for coordination, to help connect fledgling networks into clusters. Our recommendations are below, discussed in more detail in Chapter 4, but this approach should be tailored to be place-specific for any future potential intervention. The other primary support is around funding streams available and efforts to make sure that they are accessible.

Chapter 3. The ‘Preston Model’ of Community Wealth Building

An alternative approach to providing support to the creative industries – either complementing or substituting for agglomeration and/or clustering initiatives – is to draw upon the innovative policy intervention currently evolving within the administrative capital of Lancashire. This ‘Preston Model’ of Community Wealth Building (CWB) aims to maximise utilisation of existing local assets (people, capital, skills and ideas) to enhance the development of the local economy. Rather than relying upon the trickle-down effects of national policymaking, or designing a development strategy around competing with other local economies to attract inward investment from sources with no long term commitment to the area, the ‘Preston Model’ seeks to better utilise the resources, talents and innovation already existing within the population. This can take the form of human capital (i.e. skills and knowledge), social factors (i.e. personal networks, culture and community solidarity), environmental assets (i.e. the built environment and natural capital), (formal) institutions (i.e. local authorities and educational institutions) and physical capital (i.e. local firms and local savings). All local areas have their own distinctive set of local assets and capacity, many of whom may be under-utilised, and the CWB approach seeks to mobilise these to drive economic development (Pugalis and Bentley, 2014). Consequently, the approach can be viewed as an extension of the economics of place insights that underpin discussion of the industrial strategy.

The ‘Preston Model’ emerged as a reaction to the concentration of funding and economic activity in London and the South East and aims to regenerate an economy often overlooked by policy makers operating within larger economic conurbations. At a time when the external environment had become particularly challenging, and reliance upon external agencies to facilitate social and economic development within the local economy had become more problematic, the ‘Preston Model’ looked inward, to focus upon those assets and policy levers that were within its control. Rather than the community feeling powerless amidst forces of globalisation or national policy priorities, it allowed local people to take back some control over their lives and livelihoods. This sense of empowerment has particular resonance for those areas of the UK that perceive themselves to be marginalised or ‘left behind’. As a consequence, it has the potential to contribute towards a levelling up agenda.

A third distinctive feature of the ‘Preston Model’ is the reliance upon ‘anchor institutions’ to deliver economic impact. Anchor institutions, in this context, relate to organisations tied in some way to a given area. This may be due to the investment of significant sunk capital, or their relationship with stakeholders (i.e. customers, employees, supportive institutions and local policymakers) or their institutional mission (Smallbone et al, 2015; Webber and Karlstrom, 2009). As a consequence, they tend to be ‘sticky’ or spatially immobile, and unlikely to relocate. Hence, they have an enlightened self-interest in the creation of an attractive local environment to attract and retain staff and customers (Dubb and Howard, 2012; Smallbone et al., 2015). Obvious examples of anchor institutions include public sector agencies, such as local authorities, civil service agencies, the NHS and emergency services (ambulance, fire and police services), alongside educational institutions such as universities and colleges. In the USA, discussion tends to revolve around the ‘eds and meds’, whilst the range of anchor institutions involved in the ‘Preston Model’ is much broader. Nevertheless, there is a good argument for an even broader range of organisations, sharing a long-term commitment to an area, to be drawn into a broad-based approach. Cooperatives and social enterprises tend to have deep local roots, as have many golf courses and leisure facilities. Larger, private sector companies with a distinctive regional profile can play a powerful role in local economic development. An obvious example in Lancashire is the

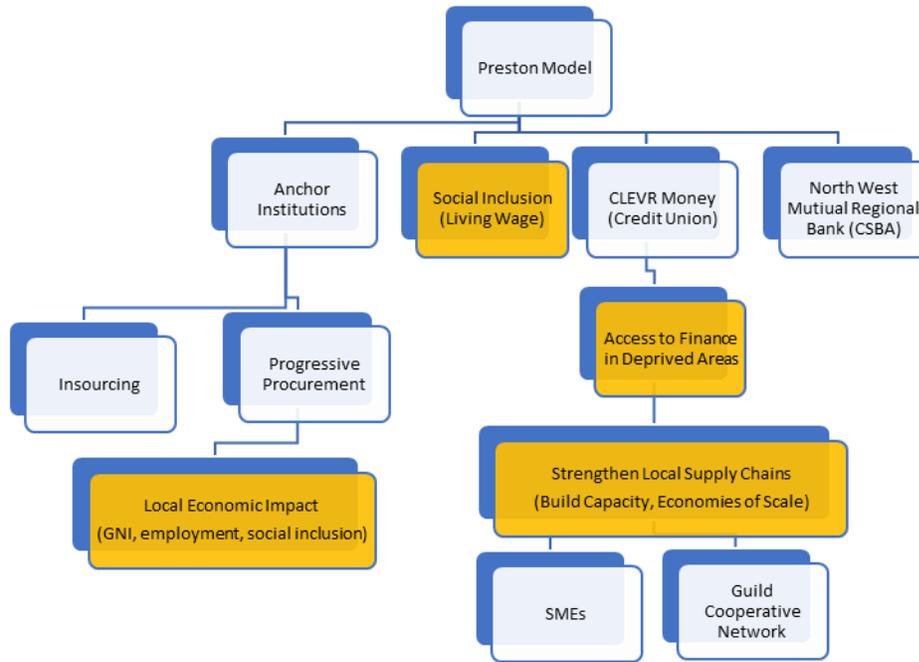
supermarket Booths, which has a particular regional concentration. In the context of the creative industries, museums and theatres would be particularly useful additions to a CWB initiative.

There is a sizeable literature that has considered the social and economic impact that anchors can make in their local area, through a combination of procurement expenditure, skills development and coordination activity (Bartik and Erickcek, 2008; Harkavy and Zuckerman, 1999; Moretti, 2004; Smallbone et al, 2015). This indicates that anchors have the potential to generate local economic impact in several ways. This can be through direct employment or remuneration decisions, investment in infrastructure, human capital development and/or the services they offer to the community. Or impact can be secured indirectly, through the use of procurement policy to strengthen local supply chains and potentially mentoring local businesses to build long term relationships, along with their influence over wages more generally within the local labour market and spillovers ranging from productivity effects to mitigating crime and enhancing civic engagement.

Most examples of CWB tend to focus on the impact of a single anchor or the implementation of a narrow range of initiatives. Hence, it is the multifaceted nature of the 'Preston Model' which distinguishes it from most other forms of anchor-based approaches as illustrated in Figure 2. It encompasses the development of local credit unions to promote access to finance in deprived areas and the steering of a proportion of the investment portfolio of the Lancashire Government Pension Fund (LGPF), towards local rather than global projects. Anchors are encouraged to consider the social inclusion impact of their employment decisions, remuneration policy and the living wage and the viability of insourcing. However, the most prominent aspect, to date, has been the 'Making Spend Matter' initiative, whereby anchor institutions are encouraged to take into account social value and economic impact upon the local economy in designing their procurement policies. The result has been to reduce leakages from the local economy and thereby raise economic activity. Early evidence would tend to suggest that the share of local procurement spend increased from 5% to 18.2% within Preston and 39% to 79.2% in Lancashire, within the first four years of its operation (starting 2012/13), resulting in strengthened local supply chains (Jones and Leibowitz, 2020). Indeed, despite reductions in total procurement expenditure by public sector anchors throughout this period, there was a relative increase within the Preston and Lancashire economies.

The visibility of the 'Preston Model' has resulted in several criticisms. The main claim is that it is an example of local protectionism, reducing competition leading to a loss of efficiency. A second critique focuses upon the lack of scalability if economic activity is rigidly contained within a local area, thereby creating a self-defeating, zero-sum game; displacing rather than enhancing activity, and potentially increasing the vulnerability of the area in the process. Many of these critiques originate from schools of thought within economics that might have similar critiques for any policy intervention intended to steer or otherwise correct perceived failings with the workings of the free market. Other criticisms miss the point entirely. The 'Preston Model' is a deliberate attempt to respond to the unique characteristics of a particular place, and the necessity of interventions intended to boost more marginalised or 'left behind' areas as part of a levelling-up agenda and thereby aid the rebalancing of the UK economy. It was introduced because of the vulnerability of the area and over-reliance upon external capital which did not demonstrate a long term commitment to the development of the area. Moreover, opening up procurement to additional local producers is likely to increase, not decrease, competition. For those readers seeking a more detailed discussion of the strengths and weaknesses of the approach, this is covered in Manley and Whyman (2021:135-141).

Figure 2: The Inter-related aspects of the 'Preston Model'



The evidence collected on the effectiveness of the approach, thus far at least, appears to be promising. Growth per head and labour productivity (GVA per hour worked) all grew faster than the UK average (ONS, 2019; ONS, 2020d), unemployment shifted from above to below the UK average (ONS, 2021c). The Price Waterhouse Coopers Good Growth for Cities annual index – utilising a basket of factors proxying the quality of life, such as unemployment, wage rates, house prices, living costs, educational and skills attainment - stated that Preston was the best-performing city in the North West, and ahead of London on most criteria (Hawkworth et al, 2018). This improvement was subsequently confirmed in later iterations of the study (PWC, 2019). One of the drag factors identified in this study relates to a long term weakness in the city-regions qualifications and skills performance. This is one area where the potential for skills development, embodied in the anchor institutions approach, could be better utilised.

Moving away from broad measures of economic improvement and the quality of life, the evidence relating to social inclusion and deprivation is more mixed. Lancashire, as a whole, contains many local authority areas ranked highly in terms of deprivation. Blackpool, for example, is ranked the highest (hence most deprived) local authority area in the most recent Index of Multiple Deprivation (IMD) study (Ministry of Housing, Communities & Local Government, 2019). Preston has consistently been ranked in the second or third decile of most deprived local authority areas. During the early period of the 'Preston Model' approach, relative deprivation improved significantly (Lockley and Glover, 2019), with Preston's average deprivation ranking declining from 59 to 72 out of 317 local authority areas. This is still high but represents a relative improvement. The persistence of deprivation in certain inner-city wards does, however, indicate that whatever economic improvement has arisen as a result of the 'Preston Model' form of localism, remains fragile and has not (yet) permeated deeply across the whole of the city. Indeed, this conclusion is reinforced by the most recent IMD data, which shows reductions in relative deprivation first stalling, and subsequently slipping backwards. (Ministry of Housing, Communities & Local Government, 2019) Moreover, in the absence of an independent, rigorous study to provide a

robust evidence base, it is currently impossible to determine, with any degree of certainty, the relative performance of the 'Preston Model' approach. There are open questions relating to whether the CWB approach is largely confined to having delivered one-off (static) benefits or whether it has the potential to contribute to a higher sustainable growth path through enhancing productivity and economies of scale (dynamic effects). Similarly, there are questions concerning whether the economic benefits that do arise will 'trickle down' to the more deprived sections of the local community. This is a problem faced by most forms of economic policy, of course, but it is one aspect where advocates of CWB would hope to realise the impact.

Overall, therefore, the evidence remains suggestive but inconclusive (Whyman, 2021). This conclusion is perhaps unsurprising, since the 'Preston Model' is only seven years old, and it is still evolving. There would have been a similar dearth of replicated and verified data available in the early years of research into agglomeration and clusters, and yet these have proven to be effective measures, within certain parameters. Whilst short term effects are observable, longer-term dynamic effects cannot yet be identified. However, this should not preclude further investigation into the potential of an adaptation of the 'Preston Model' approach as an alternative means of supporting the creative sector, particularly in those areas where agglomeration economies would appear to be less realisable.

The evidence presented by this research paper provides one piece of evidence, by investigating the contribution that anchor institutions currently make in supporting the creative sector across Lancashire and contrasting that with the unrealised potential that a coordinated and focused approach could undertake. Lancashire has been chosen as the locus for this analysis because the 'Preston Model' is already in operation in part of the county, and therefore several actors are already actively engaged with the approach. The paper will focus upon the four primary means whereby the 'Preston Model' approach has the potential to support the creative sector, namely:

- (i) direct procurement demand, providing a base level of demand both directly to individual creative firms as part of its procurement processes (i.e. art and digital creativity for education, performing art therapy for the health and social care sectors, use of digital or other creative for the police to form stronger bonds with their local communities, etc), but also additionally indirectly through the increased prosperity of the local economy within which creative businesses operate;
- (ii) anchor support focused on recruitment practices encouraging applications from deprived communities, good employment packages setting the norm for the local labour market;
- (iii) programmes delivered (primarily via universities and other educational anchors) aimed at skills training, business leadership development and facilitating business engagement networking opportunities; and,
- (iv) facilitating the coordination of activity to create mutual reinforcement of impact from individual initiatives.

[What Impact has the 'Preston Model' had on Creative Industries in Lancashire?](#)

The research explored the extent to which the 'Preston Model' of Community Wealth Building (CWB) supports the development of the creative industries in Lancashire. The first, perhaps surprising finding of our survey was that 62% of respondents were unaware of the 'Preston Model' and, of those who

were familiar with the idea(s), many were uncertain if it had any impact on the creative sector. Despite the lack of awareness of this policy intervention, the concept of utilising local talents, resources and leveraging support from large employers to use local suppliers for their procurement, and thereby enhancing economic activity, proved to be appealing to creative businesses. Creative firms supported buying and supporting local endeavours and associated sense of pride that accompanies, that helps bolster a shared identity connected to place. As an example of the lack of awareness around the ideas associated with the 'Preston Model', creative firms questioned how it might help their business.

"I don't know whether (location) is in it. I don't know whether I would qualify for anything. I don't know whether there is any offer of help there that I could take advantage of. Is the Model a two-way street or is it a one-way thing? What is it? Are they looking for input? I don't know and while ignorance exists it's a lost cause, you know?" Gus, Visual Designer

These quotes highlight a stark difference between the aspirations of the 'Preston Model' and its implementation across Lancashire's creative industries. It highlights a current weakness in the approach, namely the breadth of its reach into all sectors of the target (Lancashire) economy and all sections of the local community. It is difficult to engage fully with something that you do not understand. Nevertheless, as the impact of CWB initiatives becomes more established, whether through procurement raising GVA or strengthening supply chains or the provision of knowledge exchange and skills training to businesses within the sector, awareness of the potential of the approach will inevitably grow.

Assessing Upstream Anchor Impact

Analysis of survey and business data indicates a growing economic impact across the creative sector. To focus specifically upon the creative sector in the target area, this study utilised a survey distributed to 2500 creative firms, all members of three Lancashire creative business member organisations who acted as research partners for the project, namely Creative Lancashire, Digital Lancashire and Arts Lancashire. A response rate of 11.2% was achieved in our online survey, with 280 businesses taking part, of which 181 respondents had a sufficiently high completion rate allowing them to be included in quantitative analysis. Of these, a sub-sample of 130 creative firms provided sufficient financial data to form the basis of a simple Keynesian multiplier analysis. This was deemed to be a good response rate, given the difficulties encountered by the fieldwork phase due to the COVID-19 restrictions. More detail regarding sampling methodology and the composition of the resultant sample of creative firms is given in Appendix 3.

The sub-sample consisted of 130 creative firms, provided data including the share of their turnover deriving from the procurement decisions taken by a combination of anchor institutions included within the 'Preston Model' approach, supplemented by other educational bodies and local authorities located within Lancashire. The two groups of anchors were chosen to reflect: (i) the impact that spending decisions taken by the 'Preston Model' participants have upon creative firms across the whole of Lancashire, rather than more narrowly upon Preston itself; and, (ii) recognising that the design of any 'Lancashire Model' would involve a broader-based set of anchor institutions thus, an 'augmented' set of anchor institutions were identified as potentially providing the core of any such county-wide approach. It has to be noted, of course, that the latter concept is unlikely to be as effective as coordinated anchor procurement, but it is included to demonstrate the potential of the approach in the absence of the greater focus upon delivering impact that would accompany a full-fledged scheme. As such, it represents a likely baseline.

Around 60% of these firms, i.e. 78 firms, reported turnover generated from anchor institution procurement. This expenditure represented £1.12 million from 'Preston Model' anchors, and £3.75 million from the complete augmented anchor group, in 2019/20; the former representing 2.67% and 9% of the turnover recorded by the creative business sample in that year, retrospectively (see Table 2). The growth in anchor support (in cash terms) for these creative firms rose by 49.1% for the augmented group and 51.4% for 'Preston Model' anchors, although, given the reduction in turnover across the sample in this year, as the effects of the pandemic began to be felt, the contribution to firm turnover rose by a full 68.8% and 71.3% accordingly.

Disaggregating the source of this expenditure in terms of anchor type, reveals the dominance of local authority expenditure in the wider group of potential Lancashire anchor institutions, accounting for fully 59.1% of the total, with 'Eds and Meds' (universities and hospitals) accounting for a further third, and other public sector agencies 7.5%. In comparison, for 'Preston Model' anchors, 'Eds and Meds' accounted for 52.6% of creative industry procurement, local authorities 46.8% and other public sector bodies 0.2%. This difference might reflect one element of the 'Preston Model' *modus operandi*, namely the encouragement of anchor participants to revise their procurement procedures, to better facilitate local expenditure impact. The full range of impacts are itemised in Appendix 1, Table 2.

Although the level of anchor expenditure directed towards the creative firms contained within the sample was of creditable magnitude and rose significantly during the early months of the pandemic period, there remained several barriers to the delivery of even greater impact. The first of these is the difficulty many SMEs have in bidding for procurement contracts unless these are broken down into smaller lots. This is one of the objectives for 'Preston Model' anchors, but this process has not yet been completed in all cases. The progress made by the augmented set of anchors is not known. However, interviewees highlighted poor interactions with anchor institutions over tendering, when stating that micro-firms find the process particularly difficult to navigate, and their chances of success were rather small. One respondent expressed this frustration, thus:

"That tendering process was brutal, it is vile and that tendering process is not for the faint-hearted, it's horrible, it's aggressive, it's very unfriendly and certainly very unfriendly to small-scale organisations. And even consortia are small-scale organisations that still end up being small; partly because certainly in terms of the creative and cultural industries – local authorities and those sort of procurement rules seem to be one size fits all and yes, we would take an awful lot of care and thought before going in for something like that." James, Arts Collective

Those respondents who did have experiences of gaining work from anchor institutions highlighted several issues with the 'Preston Model'-type approach. Many questioned how the tender would be applied to their nature of work and thus involve a higher element of risk. For example:

"Other people say it [the 'Preston Model'] has had an impact, I imagine it has, I don't know, say in web design marketing because it's a business type work you know it may well help it but then my area is quite specialised and there might not be lots of opportunities." Luke, Artist

For those who had an experience of gaining work from the augmented set of anchor institutions, firms reported the significance of reputation, personal relationships, or being invited to co-create a programme, rather than an open tendering process.

“A lot of our work from and with local authorities has not been down the tendering and procurement route but rather through sort of relationships or being invited to complete a piece of work or a proposal.” James, Arts Collective

The process of forming collaborations and consortia to respond to larger scope work was also problematic, with a desire for assistance to promote collaboration and access to funding.

“We don’t have enough sort of management and administrative support to coordinate bids, consortium bids to tenders.... No one is sort of either funded or running around with enough cash to be able to sort of gift that time to the consortium.” James, Arts Collective

Perhaps due to their more formalised and coordinated approach, ‘Preston Model’ anchors have implemented changes aimed at facilitating SME participation. Although not yet universal, some of these anchors have invited SME representatives to advise their procurement teams on barriers to participation and on making the technical specifications more accessible to smaller businesses.

Two broad conclusions can be reached concerning the magnitude and growth of anchor support for the creative sector, as indicated by the respondent sample. Firstly, providing a level of demand equivalent to 9% of the total turnover of these businesses is surprisingly high, given that this is largely uncoordinated. Essentially, this is what was achieved without the participants focusing on the particular needs of the creative sector and providing only the same type of generic support as for other sectors of the local economy. Thus, there is likely to be a greater impact that can be achieved through a sectoral focus. The second point is to note the increased impact recorded by anchors within the ‘Preston Model’, in the first few years of the strategy being implemented. If a similar degree of impact could be achieved by an augmented set of anchor institutions, constituting a wider ‘Lancashire Model’, the impact on the creative sector could be even more meaningful.

Table 2: Anchor procurement expenditure supporting the creative business sample, 2018/19 and 2019/20

ANCHOR	2019/20	2018/19	TWO YEAR TOTAL (2018/19 + 2019/20)	% CHANGE (2018/9-2019/20)	SHARE OF ANCHOR IMPACT (2019/20,%)	SHARE OF ANCHOR IMPACT (2018/19,%)	SHARE OF ANCHOR IMPACT (AVERAGE ACROSS 2 YEARS)	ANCHOR SHARE OF RESPONDENT TURNOVER, 2019/20	ANCHOR SHARE OF RESPONDENT TURNOVER, 2018/19	% CHANGE (2018/9-2019/20)
NHS	287334.30	197472.85	484807.15	45.51	7.57	7.84	7.68	0.69	0.42	64.68
Lancashire Constabulary	7000.00	3500.00	10500.00	100.00	0.18	0.14	0.17	0.02	0.01	126.35
LCC	325396.20	213851.43	539247.63	52.16	8.57	8.49	8.54	0.78	0.45	72.21
PCC	196870.00	121677.44	318547.44	61.80	5.19	4.83	5.05	0.47	0.26	83.12
Other Local Authorities	1696683.65	1322403.60	3019087.25	28.30	45.19	52.52	48.13	4.07	2.80	45.21
UCLan	194763.00	129532.50	324295.50	50.36	5.13	5.14	5.14	0.47	0.27	70.17
Lancaster University	27916.50	29970.00	57886.50	-6.85	0.74	1.19	0.92	0.07	0.06	5.42
Preston College	104400.00	69900.00	174300.00	49.36	2.75	2.78	2.76	0.25	0.15	69.04
Cardinal Newman College	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Edge Hill University	3400.00	3510.00	6910.00	-3.13	0.09	0.14	0.11	0.01	0.01	9.63
Other FE	633680.00	394484.82	1028164.82	60.63	16.70	15.67	16.29	1.52	0.84	81.80
Gateway	0.00	1070.00	1070.00	-100.00	0.00	0.04	0.02	0.00	0.00	-100.00
Other public sector	275467.85	28613.14	304080.99	862.73	7.26	1.14	4.82	0.66	0.06	989.59
TOTAL all Anchors	3754930.50	2518003.78	6272934.28	49.12	100	100	100	9.0	5.33	68.77
TOTAL 'Preston Model' Anchors	1115763.50	737004.22	1852767.72	51.39	29.71	29.27	29.54	2.67	1.56	71.34

What is the Impact of Anchors on COVID Resilience?

Aside from the strength of support already offered to the sector, as evidenced by respondents to the survey, an additional finding relates to the importance of this support during a period of falling demand. Survey evidence indicated that turnover declined by almost 12%, between 2018/9 and 2019/20, for those respondents providing this data. The latter period did not map neatly onto the COVID period, since the financial year for many firms will have extended for several months before the onset of restrictions. Nevertheless, it is a reasonable assumption to conclude that the slowdown associated with the COVID period was a major determinant of this decline in turnover. Corroboration for this conclusion arises from a separate question contained within the survey, where respondents reported the impact that COVID had upon their business activity. Here, 11% of respondents reported an increase in turnover during the COVID period, and 89% reported a decline in turnover (n=94).

For those firms expanding during the COVID period, all but two did so in the absence of anchor procurement (education & performance) (20%), whilst of those firms experiencing reduced turnover, the majority (62%) benefitted from anchor procurement. This difference reflects the composition of those creative industries that were most able to expand during the pandemic period and their lesser involvement in anchor institutions procurement supply chains. This may be due to anchors providing many of these services in-house (i.e. having their own digital or marketing teams), or it may reflect less involvement in tendering on behalf of these industries, because of buoyant demand and hence lower need to engage with these potential customers. Whatever the case, demand originating from anchor institution procurement was far more important for those creative firms experiencing falling orders from other sources.

Related to this previous point, however, there would appear to be no significant degree of correlation between the degree of government COVID support received by the respondent businesses and the proportion of turnover accounted for by anchor procurement. Hence, there appears to have been no significant substitution effect between the two forms of business support. Anchor institution procurement did not, therefore, take the place of support from other quarters; if creative firms were struggling, they accessed assistance wherever this was available.

Survey data additionally enabled investigation into the reaction of the respondent sample to the pandemic period, and whether involvement with anchor institution supply chains had an appreciable impact on this element of business strategy. The first interesting finding to report is that the stated strategic reaction to the COVID-19 crisis has been less defensive than might have been anticipated, given the severe restrictions upon certain segments of the creative sector, particularly the performing arts. According to this self-reported data, only 20% of firms adopted an unambiguously defensive strategic response to the COVID-19 period, whilst 30% adopted a strategy of growth and the remaining half preferred an ambidextrous approach. An element of this no doubt reflects the fact that the gaming and digital sector were either largely unaffected by the restrictions and subsequent recession or experienced significant growth due to a combination of the reliance upon digital solutions to education and homeworking, or an increased demand for games and other digital forms of entertainment as social interaction became more located in the home.

Acceptance of self-reporting is, however, problematic for several well-established reasons. Research participants may say what it is they feel that researchers want to hear, or what they feel they should report creating the 'right' image for their business. There may also be a genuine disconnect between

what individuals think they are doing but which conflicts with independent evidence. In this case, the self-reported strategic reaction to the economic downturn is somewhat at odds with the actions of many firms, whether in terms of the implementation of more offensive strategic responses, such as increasing investment and training, seeking new markets, developing new services or product lines, and so forth. This stands in contrast to the behaviour of several firms' utilisation a spread of government business support measures (i.e. job retention scheme, business loans, etc), although it is conceivable that some did so opportunistically, without really needing to do so; leading to what economists call deadweight costs for the business support scheme. It is also intriguing that those firms with the largest pre-COVID turnover tended to report being less growth-oriented and more defensive than their smaller competitors. Consequently, there has to be some doubt raised as to the veracity of stated strategies with the (albeit limited) contrary evidence.

The data does, however, appear to reinforce one other finding from elsewhere in the survey, namely, that anchor procurement appeared to be more closely associated with those adopting a defensive strategy, with the value of anchor procurement spend as a share of firm turnover (the grey bars in Figure 4) being much higher in the defensive and ambidextrous groups. In the absence of further research, it is impossible to establish causality on this point. In other words, it is possible to interpret this involvement in anchor supply chains *causing* this behaviour, perhaps creating a safety net of demand for certain, or *resulting* from more desperate firms turning towards one of the few remaining sources of potential demand for their products and services amidst a declining market.

The Multiplier Effect - Downstream Impact

The analysis of downstream respondent spending patterns uses the calculation of a multiplier. The multiplier estimate is useful to policymakers as it provides an approximation for the expected degree of aggregate impact that may arise from an increase in support for the creative industries. To interpret the magnitude of any change in expenditure, the expected multiplier effect is contrasted against a counterfactual which, in this case, is simply the absence of the assumed change. If Lancashire anchor institutions did not procure creative goods and services, there would be no 'Preston Model' effect and the sector would be the poorer for it, whilst any increase in this level of procurement expenditure, amplified through the operation of the multiplier effect, would not otherwise occur.

One point to be kept in mind, however, is that the multiplier is not static over time; the estimate of its effect will vary according to the prevailing economic environment, the composition of policy interventions and the expectations of economic actors (i.e. creative business people and those creatives working in the sector). If this combination of policy and environment encourages expansion and investment, the multiplier will increase; if the recovery phase results in uncertainty and caution, businesses are likely to increase retained earnings, and the multiplier estimate will reduce accordingly.

The multiplier effect refers to the proportional amount of increase (or decrease), in final income (GNI, demand, turnover) that results from an increase (injection), or withdrawal (leakage), of spending. It arises because part of an initial injection of spending will itself be spent, thereby creating additional income for other individuals and firms, who may themselves subsequently spend a proportion of this additional income, thereby creating a further boost to the economy. Thus, *direct* effects from the initial injection of income create additional activity, resulting in *indirect* effects resulting from increased business transactions and *induced* effects generated by rising consumption because of increased personal income. In this way, an individual's purchase of a good or service, or a decision made by a

business to invest in new plant and machinery, or an increase in public spending allocations in a given area or industry, will all have a broader economic impact than the cash value of the original decision. Initial spending becomes the income for other firms, who will, in turn, use this to purchase inputs from yet other firms and labour from their workforce. They, in turn, will use their new income to purchase more goods and services and so forth. At each stage of spending, some of the initial injection will be saved or spent outside the economy (local or national), and therefore a smaller proportion will be available for subsequent rounds of spending. Eventually, the initial injection will dissipate through leakages of one type or another. To give a simple worked example, the effect of an initial injection of £10 may lead to a further spending round of £8 followed by £6 and £4 and £2. Hence, the total spending resulting from the initial £10 injection, in this example, is £30. This equates to a multiplier of 3. For a national economy, a simple multiplier focuses upon injections (i.e. consumption, government expenditure and exports) and leakages (i.e. savings, taxation and imports). A local income multiplier works similarly, except here, injections focus upon money spent locally, whilst money spent elsewhere in the UK is counted as a leakage from the local economy. Local income multipliers are consequently generally smaller than those calculated for a larger geographical area, as a smaller economic entity is less likely to generate sufficient products and services to cover the demand of its citizenry, and therefore leakages are more prevalent.

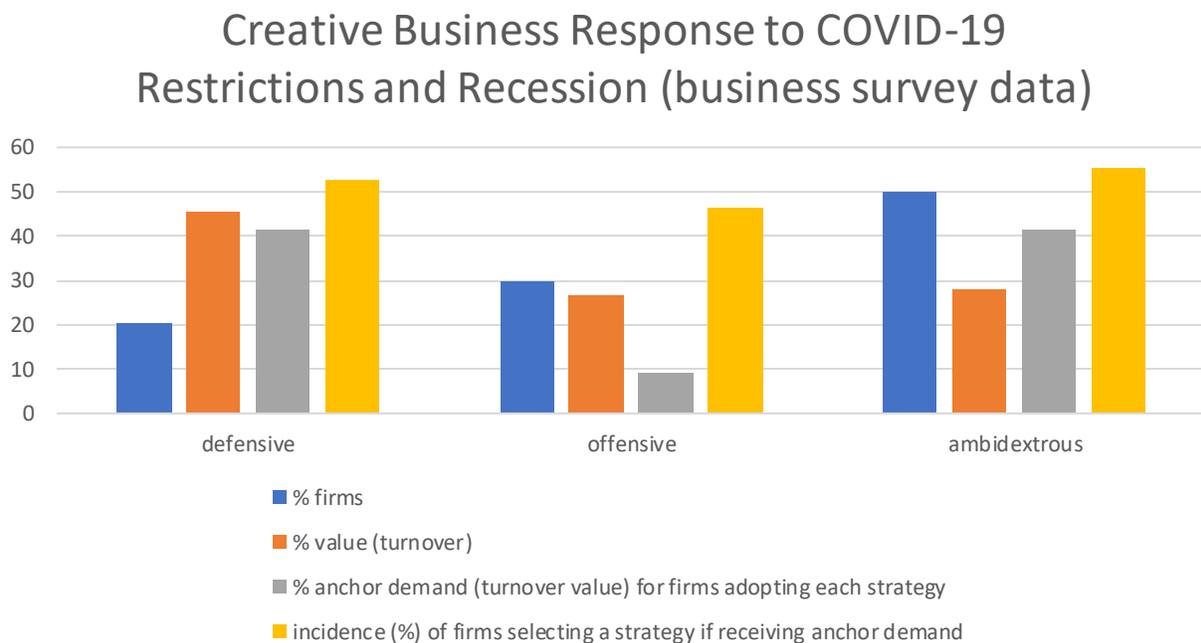
The calculation of the multiplier involves several different steps and the explanation is occasionally a little technical. Therefore, the full method is included in [Appendix Two](#). The data utilised in the multiplier calculation was derived from the sample of creative businesses who responded to the Business Survey referred to elsewhere in this report; full details of which are provided in Appendix 3. The main finding is that the multiplier calculated from the business data provided by the respondent sample is 1.47. Consequently, to the extent that the respondents to the business and employee surveys are broadly representative to those working in the creative industries in Lancashire, an injection into the sector of £1m might be expected to generate direct, indirect and induced additional activity within the Lancashire economy of £1.47m.

When interpreting multiplier results, it is important to distinguish between those factors which lead to changes in the size of the initial injection into the creative industries through anchor procurement, the multiplier value and the resulting impact upon the local economy. The initial injection depends upon the inter-relationship between how social value is included in procurement contracts, the ease of access of procurement processes for local firms (particularly SMEs and micro-firms) and the willingness of procurers to work with local firms to create a more sustainable and robust supply chain. The multiplier, by contrast, is determined by spending decisions made by the supply chain downstream of the anchor institutions. Consequently, the total local economic impact is derived by combining the two values - the initial injection amplified by the multiplier estimate. In this study, Table 2 indicates that augmented anchor expenditure received by creative business respondents in the research sample equated to £3.75m or 9% of total turnover in 2019/20. To estimate the economic impact that this made upon the local economy, this initial injection is multiplied by 1.47, thus producing a total £5.51m boost to the local economy. Obviously, if anchors purchased more from the local creative industries, a higher initial injection, combined with an unchanged multiplier, would result in a larger total economic impact. Similarly, if creative businesses who are part of the anchor supply chain and/or their employees spent more on goods and services in the local economy, then the multiplier value will increase, *ce teris paribus*.

If both occurred simultaneously, which is the objective of a 'Preston Model' type initiative, then the magnitude of local economic impact would be significantly higher.

This multiplier estimate is significantly lower than some previous studies, including the report produced by the CEBR (2017:20-21) estimate for arts and culture, of 2.3 for the UK. There are two reasons for this. Firstly, the creative industries have a deeper presence across the UK, and certain regions in the South East, when compared to Lancashire. Hence, current discrepancies reflect the gap between larger, core cities (especially London) and Lancashire. If the creative sector in Lancashire was to experience relatively faster growth than the rest of the UK, this discrepancy would diminish. The second reason arises from how the multiplier estimate was produced. In this study, business expenditure was disaggregated into wage and non-wage types, to allow further investigation into how creative practitioners spent their wages, rather than simply assuming homogenous spending patterns drawn from business spending. This proved significant, as the spending patterns for creative employees and self-employed practitioners had a lower local content than for their firms, thereby reducing the multiplier estimate accordingly. The CEBR and most other studies do not tend to differentiate between forms of expenditure at this level of analysis.

Figure 3: Business response to COVID strategies



Two points arise from the multiplier analysis. The first is the robustness of any multiplier estimate is only as strong as the simplifying assumptions upon which it is based. The assumption of negligible corporate taxation leakage for 2020/21 is, for example, reasonable during a period of economic downturn, when almost 90% of respondent businesses experienced a deterioration in turnover and many firms effectively ceased trading whilst the COVID-19 restrictions remained in place. However, in normal times, the corporate tax burden is likely to be at a similar level recorded by Miller and Wongsaraj (2018:14-15,17) which averaged around 22% for micro firms, 26% for small firms and 20% for medium-sized firms,

despite headline corporation rates being set at 19%. It would be a similar situation with retained earnings, as most firms are more likely to have depleted existing business reserves rather than to put aside more money from their earnings. Both factors reduce the size of the multiplier estimate. Offsetting this, to some extent, levels of investment would be expected to recover during more favourable economic periods, and this would boost the multiplier effect.

The second is to note is that multiplier estimates are not static. They change with circumstances and with the behaviour of the economic actors involved. Multiplier estimates will vary according to the prevailing economic environment, the composition of policy interventions and the expectations of economic actors (i.e. creative business people and those creatives working in the sector). If this combination of policy and environment encourages expansion and investment, the multiplier will increase; if the recovery phase results in uncertainty and caution, businesses are likely to increase retained earnings, and the multiplier estimate will reduce accordingly. Moreover, in this instance, had the respondent sample of creative firms sourced more of their inputs from local sources, and/or their employees followed their stated attitudes and engaged in a greater proportion of local consumption, then the multiplier would have been noticeably higher. The recognition of this point largely restates the initial impetus behind the 'Preston Model' approach, namely that economic actors, if they become more aware of the consequences of their actions and they coordinate aspects of their economic activity, can make an appreciable impact on the business conditions prevailing in their sector and more widely across their community.

The 'Preston Model' is more than Anchor Procurement

The 'Preston Model' is not simply about the economic support that can be provided to firms operating within the local economy through the coordination of anchor procurement. As successful organisations embedded into the community, anchor institutions have a vested interest in the social and economic vibrancy of their locality, and the recognition of this fact typically encourages such organisations to seek a deeper engagement with their local communities on several different and often disparate issues. This may include initiatives into creating more robust business networks, particularly involving their supply chains, alongside their potential for delivering knowledge exchange, training and skills development.

Local authorities typically have a local economic development role, whilst universities have often contributed to skills and training roles – along with medical organisations, combining as the 'eds and meds.' This could range from the natural consequence of universities providing the skills to graduates who subsequently provide the talent pool for potential employers, or who facilitate graduates to establish their businesses through start-up incubation programmes. However, the 'Preston Model' approach takes this one step further, by encouraging all anchors to consider an input into this wider range of supportive activity, in the attempt to create a supportive ecosystem. Hence, NHS representatives might be encouraged to reconsider their tendering processes to make them more accessible to micro firms, or local cooperatives to aid those seeking to form new cooperative ventures.

An example of this broader role for anchor institutions is illustrated in [Table 3 \(Appendix One\)](#). This table highlights the potential role of a broad set of anchor institutions in supporting the creative sector across Lancashire. For ease of reference, the 'Preston Model' anchors listed in the table are highlighted in green, the augmented set of anchors utilised in the economic impact analysis in blue, and the remaining organisations included as additional potential partners to further extend any potential 'Lancashire

Model'. The justification for proposing this broader set of anchors reflects the need to ensure that anchor impact is felt across the whole of the county, and not focused disproportionately upon one area.

The table additionally highlights the link between potential anchor institutions, emergent microclusters (if these have indeed been formed) and the sub-region in which both are located. Additional secondary data, where available, has been appended to indicate the relative significance of anchors and disaggregated creative industries in each sub-region; the data for the latter being drawn from the sample of creative businesses used in the analytical section of this paper. For complete accuracy and a comprehensive listing of all relevant organisations, a mapping project would need to be completed. Nevertheless, for this report, the relative significance of different areas within Lancashire are apparent, as is the range of potential anchor institutions which can form part of a supportive ecosystem around the creative industries.

The final element in the table reflects that anchor institutions can make a range of contributions, whether through the value of their spending power stimulating demand for creative firms or through the facilitation of skills or through participating in the coordination of the approach. The likely input of each anchor is likely to be different, depending upon their characteristics.

This type of deeper engagement, between anchor institutions and the wider business community, has the potential to replicate many of the advantages which are associated with the development of clusters. Networking and knowledge exchange events can lead to knowledge spillovers and productivity gains. Skills and training provisions can deepen the specialisation of the local labour force and stimulate expansion, previously frustrated due to talent bottlenecks.

The advent of the pandemic has highlighted the need for this type of deeper level of engagement within Lancashire but also encouraged creative firms to be more open to participation in those opportunities which do exist. One interviewee expressed this sentiment, thus:

"Before lockdown, we were trying to make more of an effort to go into Manchester and more of the ... the networking events ... in Manchester ... and some of the creative communities where some of us had been starting to go to ... things like the Digital Lancashire ... talks ... we know Ed at Creative Lancashire quite well. ... UCLAN for the Lancashire Forum. The business breakfasts and talks. So, that, in particular, has been very useful. And equally, there's sometimes the odd one up at Lancaster ... their Business School." Gerald, Advertising and Marketing

Respondents working in the digital sector highlighted how large firms in the region have themselves begun to offer training and skills to other creative businesses. Initially, this was motivated by a desire to create more market opportunities and largely focused on their products, however, there are increasing signs that this is expanding further into aspects of innovation sharing. These spillovers will benefit participants and, depending upon how widespread these activities may become, might provide the basis for the formation of a microcluster. One participant discussed their involvement in this type of activity:

"They've started to roll out, they've started to do training. Granted it was more for upselling their products, but they'd hold master classes on e-commerce, or around digital theory, so around selling, around marketing, fundamentally using GYC as the hub. I have attended a few events there that were not specifically around GYC or their product, whether it was about launches or forums or things like that." Simon, Digital Agency

Whilst the microclusters in Lancashire are still developing, there are promising signs that already some proximity benefits exist. In one case the opportunity to develop relationships with a local university has given rise to a better understanding of both parties needs and opens the door to mutually beneficial collaborations. These proximity benefits of access to skills and knowledge are gained via this regional clustering of a theatre and its local university.

"...And I think understanding their challenges a lot more has been beneficial for us, because we've been kind of able to go, oh, you know, we could help you with that. You know, we could be ... we could step in there, are we someone you could talk to, rather than it be ... I think there's this thing in ... that people go, oh universities, you're all you know, floating on a sea of money, and you know." Susan, Theatre Director

In another case, participating in an existing arts partnership in one of the regions, and becoming 'known to them' has led to access to a customer base and increased work, another proximity benefit.

"The main reason probably for wanting to get involved with Lancaster Arts Partnership and to do all their admin was that you're sitting around a table with twenty-three arts organisations once a month and you get to know people who're hiring you. So, I get most of my work now through those people just because we know each other." Tony, Photographer

The most often cited proximity benefit, was that of knowledge, knowing what others are doing, and gaining new ideas from others in their locality:

"...It's about communication really and being sort of plugged into knowing what's going on and making those connections. It's about connecting the sign-ups is sometimes – so you know we learn and that sort of collective support. So within APPL, if somebody's got a query or a thought or does anybody know anybody who can or has anybody come across this or you know that sort of conversation or support is really useful and that happens quite a lot. It's useful for sort of you know helping to spread the word about A we've got this project, tell anybody you know who might be interested, that sort of thing." James, Arts Collective

Unfortunately, not all interviewees, were able to access proximity benefits, or they felt that what was on offer would not apply to them. For example:

"I'm obviously aware that there are different groups and things in Lancashire and they're really kind of, not applicable to me, they tend to be more about sort of growing businesses to employment." Luke, Artist

"A lot of it is around the definition of digital, or rather how people qualify or disqualify themselves from support. So, they see it and think, like the design example I gave, they see the word design in there and think oh it's not for me, I'm not a designer. It's just a phrase of the process. So yeah, that is difficult." Simon, Digital Agency

Hence, this is an aspect of the 'Preston Model' and/or micro clustering approaches that require additional work. The Preston Model, if targeted and applied to the creative industries has the potential to provide support to this sector in several areas. Our research has found evidence of support provided even without targeted support. The potential synergies that could be gained from this policy approach will address, not just financial support in the form of procurement spend but potentially boost

collaboration and innovation both within the creative sector and amongst anchor institution supply chains. Our recommendations, discussed in more detail in Chapter 4, similarly to the findings of the previous chapter, any intervention must be tailored to the existing creative industries and place.

Recommendations

- Given that an anchor-based, 'Preston Model' type approach has the potential to provide direct, indirect and induced economic (demand) support to the creative sector, with a multiplier of 1.47 (or higher, depending upon changes in behaviour), national policy makers should consider establishing one or more pilot projects to establish the applicability of this approach to support the creative sector in its recovery from the pandemic.
- Policy makers should investigate the potential that a 'Preston Model' type approach could have in driving forward industrial policy objectives and encouraging both innovation and greater synergies between different parts of the creative sector.
- Anchors have the potential to drive skills improvements, innovation activity and knowledge spillovers, but this is likely to have a greater impact if coordinated as part of a 'Preston Model' type ecosystem, rather than as a collection of isolated, unconnected individual initiatives. The approach provides an alternative (or complimentary) means of achieving a similar set of objectives, but by diverse means.
- To avoid distraction from the essence of the strategy, it might be advantageous to use a different designation to the 'Preston Model' – perhaps 'Lancashire Model', for a county-wide focus, or 'creative community wealth building' if advanced in other areas of the UK.
- It would be advantageous for SMEs and micro firms in particular, if procurement teams for large (anchor) organisations were to review their tendering processes, potentially alongside representatives of creative firms forming the part of the target supply chain, to ensure they are more accessible and easily navigated. This will facilitate participation, enhance competition and the diversity of both products and services, and create a greater economic impact across the creative sector within that locality.
- A less generic version of the 'Preston Model', more tailored to the specific requirements of individual sectors, is likely to deliver more targeted and effective support to creative industries.
- A 'Preston Model' approach depends crucially upon the enthusiasm of participants - whether anchors, creative firms or individual creative practitioners – to review and adapt their spending behaviour. It is more likely that this will occur if the policy intervention occurs closer to the creative community it is designed to assist. This re-emphasises the importance of this type of policy intervention being embedded within the local community.
- The development of a platform co-operative could reduce spatial isolation for creative firms in areas of lower concentration, thereby potentially contributing towards Microcluster and 'Preston Model' type initiatives.

Chapter 4. Discussion and Recommendations

The evidence presented in this research paper points to the importance of place in supporting creative businesses and the need to consider a range of innovative modes of support depending upon the viability of different policy interventions in different settings.

The thread that runs throughout this paper suggests that the design of policy support for the creative sector should take into account the distinctive features of individual localities – the economics of place. Individual areas have their distinctive set of characteristics. Certain areas may exhibit existing or potential co-location of firms, so a strategy of encouraging clustering may deliver significant benefits. Whereas others may have a more spatially dispersed creative sector, which may benefit from other types of a support structure.

The case study of Lancashire highlights a number of these challenges. The agglomeration and core cities clustering approaches might be appropriate to generate economic efficiencies in certain settings, but they do not work well in areas with lower concentrations of creative firms. Most of the county is too far from larger core cities for the spillover of any significant impact, and a strategy to encourage relocation closer to larger core areas would impoverish large areas of the UK, both in economic terms, as those left behind would experience lower levels of collaboration opportunity and growth potential, but also in terms of access to creative activities. The dominance of the creative sector within Lancashire may give rise to greater dynamism and agility, but it may equally give rise to fragility and weakness in businesses transitioning from start-up to scale-up. In these circumstances, other perhaps more innovative forms of policy support might prove to be more appropriate.

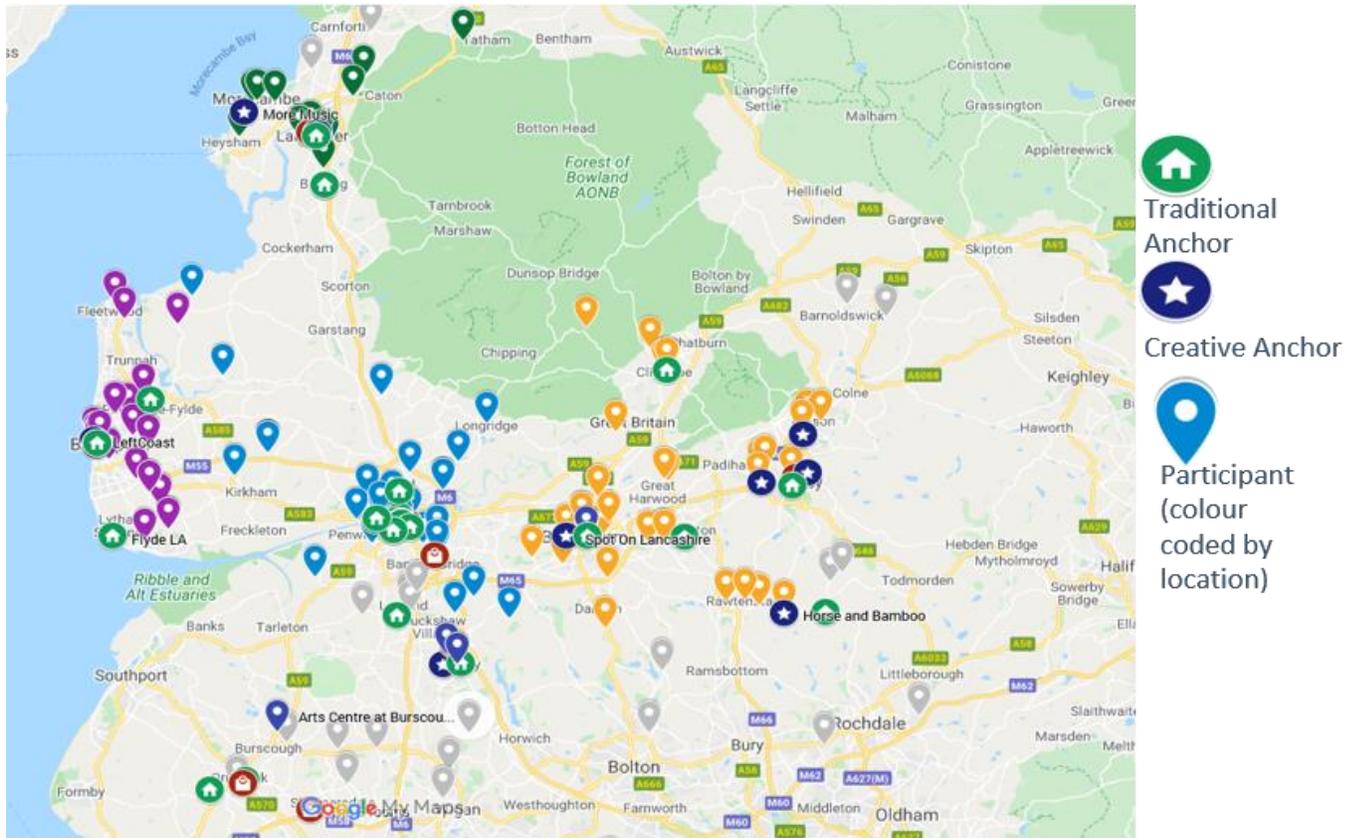
Recommendation One: Support for the creative sector should be developed to meet the specific requirements necessitated by the characteristics of individual locations (or place).

Figure 4 seeks to highlight this challenge, using postcode data drawn from creative sector responses to the survey. It indicates a grouping of firms around key towns in Lancashire; Lancaster/Morecambe, Preston, Blackpool, Blackburn, and Burnley. Anchor institutions are superimposed on this creative map, to indicate where traditional (i.e. local authorities, educational institutions, the NHS, police, and cooperatives) and a wider set of potential creative anchors (i.e. theatres, museums, galleries) are located. This indicates where anchor institutions are well placed to perform a supportive role and the areas across the county where there is less coverage.

One option may be the encouragement of microclusters. In the short term, they might be able to provide elements of the advantages that might accrue to larger groupings, such as knowledge spillovers, the pooling of specialist resources, the attraction of talent and market-seeking advantages arising from networking and closeness to local markets. However, there are still many areas where even this more flexible form of clustering is not appropriate, where creative firms are relatively dispersed.

Younger and smaller microclusters do, however, tend to be less stable and respondent evidence to this study has highlighted the significant time investment that may be required to secure their sustainability. This could be performed by an individual member of the group, but at the potential opportunity cost to the development of their own business or personal activities. Hence, certain microclusters may require external support to function effectively. The best placed, and most easily accepted actors to perform this function, was identified as universities, in an earlier report (Garcia et al, 2018:7); a finding confirmed by the findings reported in this paper with the addition of local authority partners.

Figure 4: Evidence of certain clustering tendencies in Lancashire creative industries



Recommendation Two: The appropriate agencies identified by creatives, to provide support to their sector, are local authorities and universities. Consequently, any national strategy would be advised to work with these local actors, to co-create support networks appropriate to the specificities of place.

A second approach, available to local and national policymakers, could be developed out of the experience of the ‘Preston Model’. In this approach, a coordinated set of initiatives, carried out by a set of large organisations embedded in the local area, has the potential of realising a level of support for those firms operating in the local economy.

The most immediate form of support derives from direct anchor demand for creative products and services. Evidence generated in this study indicated that, during 2019/20, augmented anchor institution procurement demand represented 9% of total turnover for a sample of creative firms in Lancashire, a factor particularly valuable during difficult trading conditions. Yet, such evidence as so far exists on the economic impact of the ‘Preston Model’ indicates that, when anchors commit to participating in the approach, they do examine more closely how their procurement systems work, and the result is a significant increase in the demand they make for local goods and services. If a similar process were to occur to assist the creative sector, this proportion of turnover could rise accordingly. If behaviour exactly mirrored earlier evidence from across multiple sectors, it could double. Moreover, if a broader set of anchors participated in the approach than the augmented group used as the basis for the analysis performed in this paper, then the economic impact on the sector could be even larger.

In addition to direct economic support for the sector, a redirection of procurement expenditure towards suppliers operating within the local economy in other industries would be likely to increase local GVA, and, through the operation of a multiplier effect, create additional indirect and induced additional demand for the creative industries across Lancashire. The multiplier analysis, undertaken in this report, suggested that for an investment of an additional £1 million in the creative industries in Lancashire, the local community might anticipate a total of £1.47 million to be generated through direct, indirect, and induced additional activity within the Lancashire economy.

Multiplier effects can be witnessed in an example provided by Chung et al (2018:15), in which an independent, micro-business theatre company named 1927, employed only three full time and four part-time core employees, and yet its revenues supported regular partnerships with 27 freelance creatives and around a further 600 additional artists to create its productions. Similarly, an example of wider economic effects, originating from expenditure within the creative sector is provided in an Arts Council report, which notes the contribution made by the Lowry cultural venue in Salford in attracting further investment into the area and thereby assisting the regeneration of Salford Quays (Metro Dynamics, 2020).

Recommendation Three: Given that an anchor-based, ‘Preston Model’ type approach has the potential to provide direct, indirect and induced economic (demand) support to the creative sector, with a multiplier of 1.47 (or higher, depending upon changes in behaviour), national policymakers should consider establishing one or more pilot projects to establish the applicability of this approach to support the creative sector in its recovery from the pandemic.

Aside from anchor procurement providing direct (demand) support for existing product and service ranges, the ‘Preston Model’ approach encourages anchors to reconsider their service requirements, and to assess how they could encourage the development of local supply chains intended to meet these needs in different ways. These synergies, between anchors and the creative sector, could result in innovation for those creative industries forming part of this expanded supply chain.

To take a few examples, there is emergent evidence pointing to the benefits derived from participation in creative activities, children’s educational experience and cognitive development, the development of broader social skills and proxies of good citizenship, alongside the promotion of social well-being (Choi et al, 2020; Cultural Learning Alliance, 2017). Local creative specialists have played an important role in delivering programmes for the education sector during the lockdown period, whilst participation in health programmes have included dance and fitness therapy for elderly residents of care homes or singing treatment for suffers from dementia. The relief of stress, feelings of isolation and regulation of emotion, have been important elements in coping strategies for many parents, children, and educational professionals alike during the pandemic period. Moreover, there is no reason why these benefits could not be encouraged post-pandemic (Verger et al, 2020).

There is also the potential that the ‘Preston Model’ approach could play a useful role in industrial policy, through the encouragement of emergent industries or creating synergies between existing creative provision. One obvious example of this could be around the encouragement of a more innovative digital-creative nexus, enhancing supportive technology to improve performances, in the field of theatre technology, soundscapes or video in performance, to enabling artists from disparate locations to perform in real-time production (Hossaini et al, 2017). An earlier study by Garcia et al (2018) noted the efficiency effects that may arise for those parts of the creative sector whose work is scalable but difficult

to imitate, thereby enabling creatives to increase the potential scope of consumption which maintains control over their creative processes.

Recommendation Four: Policymakers should investigate the potential that a ‘Preston Model’ type approach could have in driving forward industrial policy objectives and encouraging both innovation and greater synergies between different parts of the creative sector.

Anchor support is not restricted to the maintenance of economic demand for creative output. Indeed, one interesting extension of anchor support for the local community could be in skills development and the encouragement of innovation. The involvement of educational providers as core anchor institutions provides one obvious route, whereby the provision of formal routes to qualification alongside more generic training opportunities, have the potential for human capital development. This could include skills of direct relevance to creative activities (i.e. art, design, digital, performance) or more generic business skills designed to enhance performance through leadership development, human resource, marketing, logistics, financial management and strategic decision making. Non-educational anchors have the potential to enhance skills in the local labour force through offering apprenticeships or committing to recruitment and training from as wider range of community groups as possible.

Aside from direct forms of skills development, anchors may themselves provide one source of specialist services, such as start-up nurturing and knowledge transfer sessions. Anchors could perform the role of coordinator for emerging micro-clusters or facilitate networking where knowledge spillovers may occur. They could facilitate business start-ups, support scale-up opportunities and promote supply chain development, either directly through their procurement, or via networking events.

Anchors may additionally promote innovation, whether via consideration of the synergies that could be achieved through the involvement of creative firms and practitioners in the delivery of public services (as discussed further in Recommendation Eight) or through exploring the potential for new commissioning opportunities with creative businesses.

These are not new insights. Universities have long been encouraged to play a civic role, and have made substantial contributions to the skills, knowledge exchange and innovation agendas (Mateos-Garcia and Bakhshi, 2016). What is distinct in the ‘Preston Model’ type approach, however, is that this work is not viewed in isolation, but universities operate alongside other large anchor institutions, themselves experiencing knowledge spillovers from their participation in the ecosystem they have helped to create, and their activities are coordinated alongside that of their partners. Coordinated support creates mutual feedback loops, where one intervention strengthens the effectiveness of another. Hence, the suggestion is that, by combining activity and focusing efforts on where they are most needed, the sum of the ‘Preston Model’ approach truly is worth more than its separate parts. This hypothesis does, of course, require further research to test its veracity and robustness in different settings and over multiple periods – the experience of one county, at a time of health emergency, is not necessarily representative. Nevertheless, the evidence presented in this study is indicative.

It follows, from this discussion that a ‘Preston Model’ type approach could, therefore, either complement or substitute for other examples of national or supra-national policy intervention seeking to build networks to create knowledge spillovers. For example, the European Union has its Creative Europe Programme (EC, n.d.), embodying sectoral support, facilitating access to finance and technical support through the project FLIP, and promoting pan-European networks of creative hubs to promote

innovation. UNCTAD has its Creative Economy Programme, which focuses upon the generation of comparative data and the promotion of intellectual property rights (UNCTAD, n.d.). Arts Council England has its £1.1 million Digital Culture Network, focused upon sharing examples of best practice and enhancing digital skills and capability across the creative sector; the latter example being slightly different from the others, in that, although a national programme, it does have a regional aspect (DCMS, 2018a:16).

Recommendation Five: Anchors have the potential to drive skills improvements, innovation activity and knowledge spillovers, but this is likely to have a greater impact if coordinated as part of a 'Preston Model' type ecosystem, rather than as a collection of isolated, unconnected individual initiatives. The approach provides an alternative (or complementary) means of achieving a similar set of objectives, but by diverse means.

This is not to imply that the current manifestation of the 'Preston Model' should be replicated across Lancashire and elsewhere in the UK. This paper has highlighted the potential of the approach but has also highlighted several weaknesses or aspects that can be enhanced, to deliver more effective support to its target audience.

One issue raised, in the fieldwork, related to the lack of understanding of the approach further from the centre of the city where it is currently in operation. A key feature of the approach is to encourage individuals, firms and anchor institutions, to perceive their involvement in an ecosystem or model that is mutually reinforcing, and which requires participants to reflect upon their actions and, where necessary, change some of their actions. Awareness proceeds enthusiasm and participation, which in turn proceeds changes in behaviour and the resulting impact.

Related to this point is the label attached to the approach. All areas have local rivalries. Localities can also perceive themselves in zero-sum competition for resources, funding, or the citing of new investment into the area. Governance can help to smooth these rivalries or exacerbate them. The fieldwork indicated a certain degree of dismissal, from certain respondents, because of attachments they made to the label. They liked and approved of the general approach but reacted less favourably once the label was attached. There was never any toxicity attached to the term 'Preston Model', but on occasion, there was a view expressed that the approach might not be relevant to other parts of Lancashire, or a mirroring of the view that core cities (and in particular, capital cities) tend to enjoy greater advantages and injections of funding than more peripheral areas.

It might be prudent, as a consequence, if this type of approach is to be adopted more widely – whether across the whole of Lancashire, rather than being focused upon the area surrounding its capital city, or whether adopted elsewhere in less culturally concentrated areas the UK – if a different terminology is developed. For a model established across the totality of Lancashire, drawing in a wider set of anchor institutions, one obvious option might be to term the approach the 'Lancashire Model' or perhaps 'Lancashire Model' for the creative industries. If rolled out more widely, it might be preferable to use the associated description of 'community wealth building' or perhaps 'creative community wealth building'. There are no doubt individuals with more flair than the research team, in creating slogans that can accurately express both motivation and the purpose of an activity.

Recommendation Six: To avoid distraction from the essence of the strategy, it might be advantageous to use a different designation to the 'Preston Model' – perhaps 'Lancashire Model', for a county-wide focus, or 'creative community wealth building' if advanced in other areas of the UK.

The second weakness in both micro clustering and 'Preston Model' approaches, relates to a lack of access to external finance for creative firms. This factor has been identified as one of the largest challenges to the sustainability of microclusters and a barrier to the realisation of growth potential (Siepel *et al.*, 2020). It is also likely to be even more problematic during the recovery phase post-pandemic, as many firms within the creative sector will have very weak balance sheets and will have difficulty putting together a business case to support applications for bank funding since their revenues are likely to have been severely impacted over the past two years. If the accessibility of funding was significant in 2019, lower reserves and an inability to point towards a consistent growth path in turnover are hardly likely to be more conducive to prospective commercial funders.

The 'Preston Model' authors have recognised this weakness in their approach, and have sought to utilise existing funding streams, such as local government pension funds, and are in the process of establishing more accessible funding options through municipal banking and a credit union. These initiatives are emergent, and it is too early to evaluate their success. However, mitigating the funding issue is something that policymakers should consider building into the support package. They could follow the 'Preston Model' approach and establish local funding streams to support local models of support for the creative sector, or they could consider national funding schemes with local input, to better tailor the evaluation of award criteria to the specific needs of local communities. Once again, the significance and distinctiveness of place should be a central criterion.

Recommendation Seven: The recovery of the creative sector, and its growth potential, depends upon the accessibility of external finance. Policymakers should consider either establishing local funding streams or incorporating local input into national funding stream decisions, to reflect the distinctiveness of place.

The third barrier to participation in a 'Preston Model' approach relates to the difficulty's respondents have experienced in seeking to navigate tendering processes. The creative sector is dominated by micro firms, and it is well established that these have difficulties in engaging successfully with procurement opportunities. Efforts have been made to encourage SME participation in procurement through reducing tender lot size, both in the UK and internationally; these have had some success, although barriers remain (HMG, 1994, 2018; NAO, 2016; OECD, 2019:133-5; Tussell, 2018).

This barrier to participation was reflected in the fieldwork for this study, although part of the frustration that micro firms reflected was the result of past frustrations rather than more recent attempts. It is therefore possible that future engagement might prove less problematic. Certainly, the anchor institutions engaged in the 'Preston Model' have sought to make their procurement processes more accessible, with one anchor having invited representatives from certain SME groups to regular meetings with its procurement team, in the attempt to make the tendering process easier to navigate. Future research will establish whether these initiatives have been sufficient to facilitate accessibility or whether more substantive reforms are required

Recommendation Eight: It would be advantageous for SMEs and micro firms in particular, if procurement teams for large (anchor) organisations were to review their tendering processes,

potentially alongside representatives of creative firms forming the part of the target supply chain, to ensure they are more accessible and easily navigated. This will facilitate participation, enhance competition and the diversity of both products and services, and create a greater economic impact across the creative sector within that locality.

The 'Preston Model' approach would be expected to deliver enhanced impact for individual sectors if focused upon their specific requirements and not simply providing more generic support across all economic activity within the local economy. In its current form, the 'Preston Model' was not designed with the creative sector in mind, and consequently, it would be no particular surprise to find that certain areas of procurement (i.e. food and catering) have received a greater overall boost than other sectors, including creative industries. Nevertheless, the evidence presented in this paper demonstrates a credible underpinning of the creative sector as it seeks to emerge from COVID-19 restrictions. During a time of restricted demand for creative output, the fact that anchor institutions increased their share of turnover within the sector has been beneficial for those participating in supply chains. Yet, it is also most likely that the magnitude and effectiveness of such support would be enhanced if reconfigured to provide more tailored support for individual sectors in the future.

This report has noted a few examples where targeted support may be extended. For example, anchor institutions may consider creating new market opportunities for creative firms through the incorporation of dance or performing art therapy for the health and social care sectors, singing treatment for sufferers from dementia, or utilising creative input to promote wellbeing; the latter could consist of initiatives ranging from art, creative writing or dance designed to relieve stress, to participation in communal (or virtual) singing to reduce feelings of isolation, improve lung function and enhance immune response. Educational anchor institutions could consider nurturing digital supply chains to provide innovative new ways of enhancing the teaching experience, through multi-media presentations or refining online platforms. Schools could consider whether they could utilise local creative talent in enhancing children's cognitive development and/or promoting good citizenship through performance activity. Police service anchors could consider how they may utilise creative specialists in communicating messages to a diverse public to enhance their communication strategies and strengthen bonds with their local communities. Social housing anchors may consider how they draw upon local artists to increase the sense of 'belonging' to social housing developments, with potential benefits in terms of reducing antisocial behaviour. Not all of these initiatives would necessarily achieve their immediate goals, but anchor procurement could unlock creative innovation in these areas of public policy prioritisation, whilst simultaneously providing a strong foundational base for a vibrant local creative sector.

Once again, the veracity of this hypothesis would require testing by further research, nevertheless, this is a conclusion that is in line with the evidence presented in this paper.

Recommendation Nine: A less generic version of the 'Preston Model', more tailored to the specific requirements of individual sectors, is likely to deliver more targeted and effective support to creative industries.

A further point arises from disaggregated data contained within the multiplier analysis, combined with evidence gleaned from survey responses. In terms of the latter, fully three-quarters of respondents stated that locality was of key importance for creative businesses and that their own business benefitted

from their commissioners spending locally, yet only 16% of these same creative businesses acknowledged that this played a significant factor in how they determined their own spending decisions.

The multiplier analysis provides a framework around which this effect could be quantified. Thus, rather than a multiplier of 1.47, had creative firms, their employees and creative freelancers directed perhaps a quarter more of their expenditure – i.e. a little over 30% for firms and around 6% for individuals – then the multiplier would have been calculated as 1.67. The difference would have resulted in an *additional* £200,000 flowing into the Lancashire economy, for an initial investment of £1 million in these creative industries. A more concerted effort to double local business expenditure, as occurred in the four years following the establishment of the ‘Preston Model’, would have resulted in a multiplier of 2.8 and an *additional* gain for the Lancashire economy of £1.3 million. The willingness of anchors, creative businesses and other creative practitioners to fully engage with this type of ‘Preston Model’ approach, to review their spending priorities and adapt their behaviour, accordingly, has the potential to deliver very significant economic benefits.

The importance attached, by respondents, to locality and their place within their local communities is suggestive that a ‘Preston Model’ approach might prove more effective if anchored firmly within these same communities. A national scheme might have advantages around the efficiency of administration, but the trade-off might be in a lack of identification with the purposes of such an intervention. If so, the evidence from the multiplier analysis indicates that any such detachment could be quite costly in terms of the economic impact achieved.

Recommendation Ten: A ‘Preston Model’ approach depends crucially upon the enthusiasm of participants - whether anchors, creative firms, or individual creative practitioners – to review and adapt their spending behaviour. It is more likely that this will occur if the policy intervention occurs closer to the creative community it is designed to assist. This re-emphasises the importance of this type of policy intervention being embedded within the local community.

One final enhancement to the ‘Preston Model’ approach relates to the significance of proximity. In the context of geographically dispersed areas like Lancashire, without an obvious ‘epicentre’ around which to concentrate activities, whilst attracting new market entrants and creative talent, an alternative approach may be needed. If creative firms wish to circumvent some of the disadvantages of under-developed spatial linkages and weak co-location, this could be achieved through a platform approach, whereby existing microclusters can connect via the aid of a technology-supported platform, supported by physical ‘hubs’ in each microcluster.

Platforms can shape how producers and consumers interact, easily bringing together spatially distanced parties. Regardless of the platform, inherent sustainability issues are constructed around the equity of risk between the platform and the worker-members (Kenney and Zysman, 2016). Platforms have the power to transform the nature of work, yet can also create a concentration of trading and siphoning off value from communities (Borkin, 2019). They can contain a range of the professional services that creative firms often require; they can additionally act as a focus for skills development and produce knowledge spillover effects through remote forms of networking activity (Siepel *et al.*, 2020). They may also address a key component of growth for these firms, via enabling collaboration; those platform members could more easily respond to procurement tenders via their combined resources going into managing necessary administrative tasks of managing collaborative tenders.

This virtual suggestion to the issues of Lancashire's complicated creative geography is not entirely novel. The European Commission, for example, has established 15 different platforms, each tailored to different sectors in the creative industries. They aim to promote emerging talent by harnessing the combined knowledge and experience of established members, thereby promoting emerging artists and encouraging diversification of creative content (European Commission, 2020).

The control of such a platform can, however, create conflicts of interest around wages, working conditions, access to social protection (i.e. sick leave, pension rights), the intensity of work and how work is allocated. The 'Preston Model' approach might indicate a potential solution to this concern over external control over the platform if the platform is owned by the participating businesses themselves (workers) rather than a third party. A cooperative platform would give the creators of value an active stake in decisions regarding the business model that drives the platform (Borkin, 2019). It would contribute to the diversification of ownership types embedded as an objective of the 'Preston Model' (Walker, 2019). It may also contribute towards a formalisation of the 'gig' economy, thereby addressing some of the existing precarity of work in the creative sector and giving workers more secure work and expanded income alongside reduced barriers to entry (World Economic Forum, 2020).

As noted earlier, networks require a time investment to create stable, sustainable benefits to their members, and cooperative platforms would require even greater input. This is unlikely to come from member businesses alone. Anchor institutions, perhaps most obviously universities or local authorities, could fulfil part of this function. As could other organisations, such as the three partner organisations who assisted with this research project – i.e. Creative Lancashire, Arts Lancashire, and Digital Lancashire. All would require access to a funding stream to facilitate this type of engagement.

Alongside other forms of support for the creative sector, the development of accessible, inexpensive co-working spaces could perform an important role. They could facilitate the development of microclusters, or supplement virtual networks established via cooperative platforms, or provide a focus whereby creative firms can receive support from an anchor-based 'Lancashire Model'. They could additionally link the support of the creative industries to other elements of the national policy agenda. For example, the current UK Towns Fund, which aims to reinvigorate towns by including initiatives focused on arts, culture and heritage (Ministry of Housing, Communities and Local Government, 2020).

Recommendation Eleven: The development of a platform co-operative could reduce spatial isolation for creative firms in areas of lower concentration, thereby potentially contributing towards microcluster and 'Preston Model' type initiatives. Virtual networking could be complemented by co-working spaces, to fulfil needs less easily delivered via remote means.

The adoption of a 'Preston Model' or 'Lancashire Model' approach, with a greater focus upon the creative industries as outlined in this section of the research paper, could provide significant support to the sector. It could compensate for a lack of agglomeration advantages, amongst those areas of the UK with lower rates of co-location. It could additionally help to reduce several barriers to growth, identified by earlier studies (Chung et al, 2018:25; DCMS, 2018b:2). The anchor-based initiative could operate in isolation or combine with a microcluster approach.

If the case is accepted that a one-size-fits-all policy approach is not optimum for the whole of the creative sector, and that, properly supported by a combination of microclusters or an anchor-based 'Preston Model' type of supportive ecosystem, then it follows that public funding should take greater

account of these factors. Public funding should seek to identify the potential for efficiency gains from whatever source. Accordingly, this might result in a less skewed future allocation, where Lancashire may be favoured with more than its current £7 per head funding allocation from an agency such as Arts Council England, compared to its larger (core city) neighbours of Liverpool and Manchester, receiving £35 and £38 per capita, respectively (Lancashire Enterprise Partnership, 2020). Additionally, if anchor procurement is to form a significant element of demand-based support for the creative sector, national policy allocation to these organisations needs to factor this into their funding allocations. If local authorities or universities are to play a pivotal role in place-based skills development or procurement impact, then national policymakers may wish to consider whether additional resources could be made available to facilitate this effort. They might find it more cost-effective to do so via this indirect means, rather than introduce national schemes which lack local focus in many areas.

Recommendation Twelve: Public funding should reflect the importance of place, rather than more narrowly following the core city model, to realise efficiency potential wherever opportunities exist.

The final element of this discussion section should, perhaps, be given to one of the participants in the interview phase. Given the emphasis upon the economic case for supporting the creative industries, the significance derived from multiplier analysis and the potential for economic efficiencies that can be secured from microcluster and ‘Preston Model’ approaches, it is perhaps fitting to reflect on the fact that not everything that matters is about economics. The interviewee expressed this sentiment as follows:

“We need more people around that table that understand the power of culture, the soft power of culture as well as the economic power of culture to effect the changes and the things that need to happen and we talk about growth. Growth isn’t all. Obviously, we need growth, but it’s not always the only thing that we should be chasing. Sustainability doesn’t necessarily always mean growth. I think we need to be talking about value as well as growth, it’s not one or the other, but we need to, we as a sector need to be better at evidencing our value and how that impacts growth, but we also need to be better at impacting, showing how we impact on other things that contribute to growth or just to sustainability or just divergence.”- Carol, Lancashire cultural organisation

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Appendix One: The Potential Contribution of Anchor Institutions to Creative Microclusters

Table 3: The Potential Contribution of Anchor Institutions to Creative Microclusters

COUNTY REGIONS	SUB-REGION	CREATIVE INDUSTRIES	No FIRMS	VALUE (Approximate)	POTENTIAL ANCHORS	ANCHOR VALUE (Approximate)	POTENTIAL IMPACT
Blackpool	BLACKPOOL	Digital	4	£650,000	LEP		Procurement
		Film	3	£35,000	Blackpool Pleasure Beach	£29,911,000	Procurement, Skills
		Advertising	6	£142,000	Blackpool Theatre	£3,211,921	Procurement
		Culture	11	£375,030	Abingdon Studios	£12,169	Procurement, Skills
		Design	1	£100,000	LeftCoast		Skills, Coordination
		TOTAL	25	£1,302,030	The Grundy		Procurement
						Blackpool Winter Gardens	£2,645,131
				Blackpool Tower	£338,000	Procurement	
				Blackpool Council	£584,614	Procurement	
				Blackpool Teaching Hospitals NHS Foundation Trust	£51,963,744	Procurement	
				Blackpool College	£50,260,000	Procurement	
						Procurement, Skills	
Blackburn	Blackburn Central	Digital	1	£300,000	LCC		Procurement, Coordination
		Film	6	£61,000	LEP		Skills
		Advertising	9	£2,100,005	Blackburn Museum & Art Gallery		Procurement
		Culture	19	£944,723	The Making Rooms		Skills, Coordination
		Design	2	£310,000	Prism Contemporary		Procurement
		TOTAL	37	£3,715,728	Spot On Lancashire		Procurement, Coordination

					<p>Helmsore Textile Mills and Museum</p> <p>Horse and Bamboo</p> <p>Blackburn with Darwin Council</p> <p>East Lancashire Hospitals Trust</p>	<p>£209,393</p> <p>£142,395,000</p> <p>£299,344,000</p>	<p>Procurement</p> <p>Procurement, Skills</p> <p>Skills, Procurement</p> <p>Procurement</p> <p>Procurement</p>
Blackburn	BURNLEY	<p>Film</p> <p>Advertising</p> <p>Culture</p> <p>Design</p> <p>TOTAL</p>	<p>2</p> <p>1</p> <p>4</p> <p>1</p> <p>8</p>	<p>£6,000</p> <p>£100,000</p> <p>£60,000</p> <p>£166,000</p>	<p>Burley Council</p> <p>East Lancashire Hospitals Trust</p> <p>UCLan (Burnley Campus)</p> <p>Queen Street Mill Textile Museum</p> <p>Burnley Youth Theatre</p> <p>Burnley Mechanics theatre</p> <p>Landmark Business Club</p> <p>Super Slow Way</p>	<p>£22,987,000</p> <p>£299,344,000</p> <p>£341,803.00</p> <p>£4,509,404</p> <p>£344,020.00</p>	<p>Procurement</p> <p>Procurement</p> <p>Skills, Procurement</p> <p>Procurement, Skills, Coordination, Procurement</p> <p>Procurement, Skills</p> <p>Procurement, Skills</p> <p>Coordination</p> <p>Procurement, Coordination</p>
Blackburn	CLITHEROE	<p>Culture</p> <p>TOTAL</p>	<p>5</p> <p>5</p>	<p>£20,000</p> <p>£20,000</p>	<p>Ribble Valley Borough Council</p> <p>East Lancashire Hospitals Trust</p>	<p>£781,100,000</p> <p>£299,344,000</p>	<p>Procurement</p> <p>Procurement</p>
Blackburn	Nelson	<p>Culture</p> <p>Design</p> <p>TOTAL</p>	<p>4</p> <p>1</p> <p>5</p>	<p>£258,000</p> <p>£825,000</p> <p>£1,083,000</p>	<p>In-Situ</p> <p>Pendle Borough Council</p> <p>(all other Burnley Anchors)</p>	<p>£192,152</p> <p>£12,088,000</p>	<p>Procurement</p> <p>Procurement</p>
The Bay	Lancaster	<p>Digital</p> <p>Film</p> <p>Advertising</p>	<p>1</p> <p>5</p> <p>2</p>	<p>£56,000</p> <p>£61,000</p> <p>£98,000</p>	<p>Lancaster University</p> <p>Dukes Playhouse</p> <p>Ludus Dance</p>	<p>£323,500,000</p> <p>£1,564,930</p> <p>£274,514</p>	<p>Procurement, Skills</p> <p>Procurement, Skills,</p> <p>Procurement, Skills</p>

		Culture	15	£2,150,000	The Storey		Procurement
		Design	2	£180,000	Lancaster Arts		Coordination, Procurement
		TOTAL	25	£2,545,000	Lancaster City Council	£26,022,000	Procurement
					University Hospitals of Morecambe Bay NHS Foundation Trust	£199,231,000	Procurement
The Bay	Morecambe	Advertising	1		More Music	£577,139	
		Culture	1		(all other Lancaster anchors)		
		TOTAL	2				
West Lancashire	West Lancashire	Film	1	0	West Lancashire Borough Council	£75,752,000	Procurement
		Advertising	2	£45,000	Chapel Gallery		Procurement
		Culture	4	£228,216	Edge Hill University	£119,296,000	Procurement
		Design	1	£20,000	Arts Centre at Burscough Wharf	£2,500,200	Procurement, Skills
		TOTAL	8	£293,216	The E-rooms		Procurement Procurement, Coordination
Preston	PRESTON central	Digital	3	£4,600,000	NHS (primary care trusts, teaching hospitals)	£589,545,000	Procurement
		Film	7	£15,184,000	UCLan		
		Advertising	7	£1,960,500	PCC	£225,000,000	Procurement, Skills, Coordination
		Culture	20	£598,045	Lancashire Police		Procurement, Coordination
		Design	7	£442,000	LCC	£278,756,000	Procurement
		Architecture	1	£200,000	LEP	£59,400,000	Procurement, Coordination
		TOTAL	45	£22,984,545	Harris Museum	Part of above	Coordination
					Cotton Court	Part of above	Procurement
					Society 1	£293,065	Skills, Coordination
					Cardinal Newman College		Coordination

					Creative Lancashire	£18,495,000	Skills, Procurement
					Marketing Lancashire	£769,279	Skills, Coordination
					Community Gateway		Coordination, Skills
					Preston College	£31,258,000	Procurement, Skills
						£22,372,000	Procurement, skills
Preston	Chorley	Advertising	2	£100,000	Chorley Borough Council	£15,128,000	Procurement
		Publishing	1	£28,000	Lancashire Teaching Hospitals	£589,545,000	Procurement
		Culture	8	£184,000	Samlesbury Hall	£1,089,004	Procurement
		Design	2	£140,000	Make North		Skills, Coordination
		TOTAL	13	£452,000	Strawberry Fields		Coordination
					Lancashire Music Hub		Procurement, Coordination
					Astley Hall Museum & Art Gallery		Procurement
					Chorley Theatre	£98,736	Procurement, Skills

Appendix Two: Simple (Keynesian) Multiplier Estimate

An estimate of the multiplier effect (k) can be drawn from a simple Keynesian model, and calculated from local consumption (c), consumption originating outside the local area (in other words, imports to the local economy, m), the average tax rate (t). Another way of representing $(c-m)$ in this equation is the marginal propensity to consume local goods and services. This can be expressed as follows:

$$k = \frac{1}{1 - (c-m+i)(1-t)} = \frac{1}{1 - (mpc-local + i)(1-t)},$$

To generate the data required for the multiplier calculation, the business survey contained two sets of questions. The first requested respondents their perception of the share of local expenditure. The average claimed share of local expenditure by respondent firms was 45.62%. Adopting the simplifying assumption that there is no tax paid and only negligible investment made during a pandemic recession, then the most simplistic multiplier estimate would be as follows:

$$k = \frac{1}{1 - (0.4562)}$$

Hence, $k = 1.84$

Consequently, if the respondent firms received £41,580,149 in turnover during 2019/20 and spent it all in the manner they reported in the survey, then with a multiplier of 1.84, the total boost to the Lancashire economy would be [£41,580,149 x 1.84] £76,507,474.16 (£34,927,325.16 via additional indirect & induced expenditure).

This simple multiplier estimate is broadly in line with the CEBR (2017:20-21) estimate for arts and culture, of 2.3 for the UK as a whole. The discrepancy is due to the creative industries having a deeper presence across the UK as a whole, and certain south eastern regions in particular when compared to Lancashire.

This only provides a very rough estimate, however, as it fails to distinguish between significant differences in reported local spending patterns and turnover between firms. Hence, the relative importance of each firm for the local economy has to be established before a local spending share can be established. Weighting individual businesses according to their share of aggregate turnover produce a lower weighted average of 33.77%. This would give a multiplier value of 1.51.

In the absence of secondary data to corroborate the accuracy of business respondent perceptions, the second set of questions was included in the survey to test the consistency of business leader perceptions on this point. Thus, respondents were asked to distinguish between wage and non-wage forms of expenditure. This is partly a consistency check, but there is good reason to distinguish between a form of expenditure where business leaders may be considered to have a reasonable understanding of their direct spending patterns and another where they may have very little insight into how and where their workers spend their wages. In terms of estimates of non-wage local spend, business respondents were fairly consistent, reporting a perceived average local spend of 43.63%. Since respondents reported

61.08% of their expenditure was allocated to non-wage forms of expenditure, this would suggest that an average of 26.65% of total expenditure was spent on non-wage items in Lancashire. Similarly, of the 38.92% of total expenditure that respondents reported was allocated to wages, virtually all of this went to employees resident in Lancashire (i.e. 38.56%).

To ascertain the marginal propensity for local consumption, an employee survey was utilised. Given the fact that the large majority of creative firm respondents identified as micro firms or sole traders, and the majority of the remainder being SMEs with fewer than 10 employees, it is unfortunate but perhaps not surprising that the employee survey received relatively few (n=33) usable responses, with a smaller subset (n=24) which provided full income and expenditure details. Whilst acknowledging the caution that needs to be adopted in relying upon data from such a small sub-sample, the employee survey does at least provide the opportunity for employees to self-identify their local spending patterns. When asked directly, employee respondents self-reported that they spent an average of 48.08% of their income in Lancashire. However, a more detailed examination of spending patterns suggests a much lower local economic impact. Taxation (income tax, national insurance) and fixed costs (rent/mortgage, utility, insurance, phone and media) are examples of primarily *national* rather than *local* expenditure, whilst savings (including pension contributions) represent deferred spending and, as such, are all examples of leakages from the local economy.

Also, other types of consumption have a lower proportionate benefit to the local area. Holiday expenditure overwhelmingly occurs outside the local area, despite the attractions of the Lancashire coast. Similarly, certain types of transportation costs are have a greater local benefit than others – buses, for example, although investment in new fleet vehicles and dividend payments to non-local owners result in some leakages from the local economy, this is far less than consumption related to the purchase and running costs of a car, train or flight. Previous studies have found that national chains, whether in the hospitality or retail sectors, have a significantly lower local economic impact than independent shops or food box schemes (Civic Economics, 2012; Sachs, 2002:115-7; Ward and Lewis, 2002:20). Supermarkets, for example, have their greatest local benefit through employment and half of the business rates retained by the local authority, whereas the inclusion of local producers amongst foodstuffs supplied by global supply chains is relatively marginal for most regions of the country. Independent food stores have a much larger local economic impact, yet amongst those respondents to the employee survey, only 7.5% of disposable expenditure was reported as occurring in this part of food retail, with supermarkets accounting for almost six times this amount.

In the employee survey, fixed costs represented an average of 57.63% of post-tax income, leaving only 42.38% as disposable income. Savings accounted for an average of 11.3%, holidays and other miscellaneous expenses 9.17%, non-local forms of transportation 13.44% and so forth. There would be a degree of local economic benefit from expenditure on cars, for example, through the wages of garage and petrol court employees, despite the majority of impact flowing outside the local economy. Similarly, even for local independent shops, a sizeable proportion of food, alcohol or clothing, will have been sourced from outside the local area.

In the absence of a detailed impact-output model to ascertain the local content of diverse economic activities, categorisation into 'primarily national' and 'primarily local' will undoubtedly be at least partially arbitrary. Nevertheless, spending patterns for those employees who responded to the survey indicate a predisposition to spend their income in national chain consumer outlets rather than

independent stores. Thus, when expenditure is disaggregated in this way, barely 17.05% of post-tax disposable income or 12.52% of gross income may be considered to have been spent within Lancashire. This average figure comprises both Lancashire and non-Lancashire residents working for a creative firm located within Lancashire; the average Lancashire spends for the former being 13.54% of gross income whereas for the latter it is only 1.3%. If these estimates are assumed to be broadly representative of those employed by the businesses responding to the survey, then they can be combined with respondent estimates of the proportion of their employees who reside in Lancashire to generate an estimate for the predicted value of Lancashire spending as a proportion of the wage bill of 6.07% – i.e. 5.89% residents, 0.18% non-residents.

To calculate the multiplier, we have:

Non-wage expenditure accounts for 61.08% of firm expenditure, of which 43.63 % is estimated to be spent in Lancashire. When weighted by turnover, this produces a non-wage estimate of local spending of approximately 27.25%.

For the 38.92% of firm expenditure going on wages, approximately 89.12% was paid to Lancashire residents and 10.88% to those living outside of the county. For Lancashire residents, they had an average of 27.77% of their income deducted in tax, and of their post-tax income, an average of 41.55% went in discretionary spending, of which around 45.11% could be characterised as local spending. Thus, the share of their gross wages that Lancashire residents spent in the Lancashire economy was approximately 12.07%. Similarly, for non-Lancashire residents, their equivalent spending patterns reflected a higher rate of discretionary spending (52.5% of post-tax income) but only 3.5% of this could be characterised as being spent in the Lancashire economy. Performing a similar calculation, the equivalent figure for non-Lancashire resident Lancashire spend as a share of gross income is 0.14%. Hence, the combined share of gross wages spent in the local economy is 12.21. Given the fact that wages accounted for 38.92% of business turnover reported in the survey, applying this weighting results in a figure of 4.75% local spend deriving from wage-related consumption.³

³ For Lancashire residents, given the range of individual reported incomes, the average tax incidence was calculated at 0.2777, and hence the share of wages available to be spent = $1 \times (1 - 0.2777) = 0.7223$. Of the remaining post-tax income, fixed costs accounted for 58.55%. Since these are primarily leakages from the local economy, they are discounted from the multiplier calculation. As a result, the share of wages available for discretionary spending = $0.7223 \times 0.4155 = 0.3001$. Assessment of respondent reported spending patterns suggests that the share of discretionary wages spent locally was 45.11%, this gives allows us to estimate that (0.3001×0.4511) 13.54% of gross income for Lancashire residents is spent as consumption in the Lancashire economy. Since 89.12% of business respondent wage spend went to those residing in Lancashire, this produces a final figure of 12.07% of business expenditure in wages from Lancashire residents. A similar set of calculations can be carried out for non-Lancashire residents, who account for 10.88% of those employed by firms responding to the business survey, with equivalent figures of 25.44% average tax incidence for non-Lancashire residents drawn from the employee survey, 52.5% of post-tax income available for discretionary spending and 3.5% of this categorised as spending in Lancashire. Overall, therefore, non-Lancashire residents spent approximately 1.37% of their gross income in Lancashire. Since this group of employees represented 10.88% of the total number of employees, this produces a final figure of 0.15% of business expenditure from wages from these individuals. Adding the two groups together, the total wage-based marginal propensity to consume local (Lancashire) goods and services amounts to 12.21% of the wage bill and, since this is

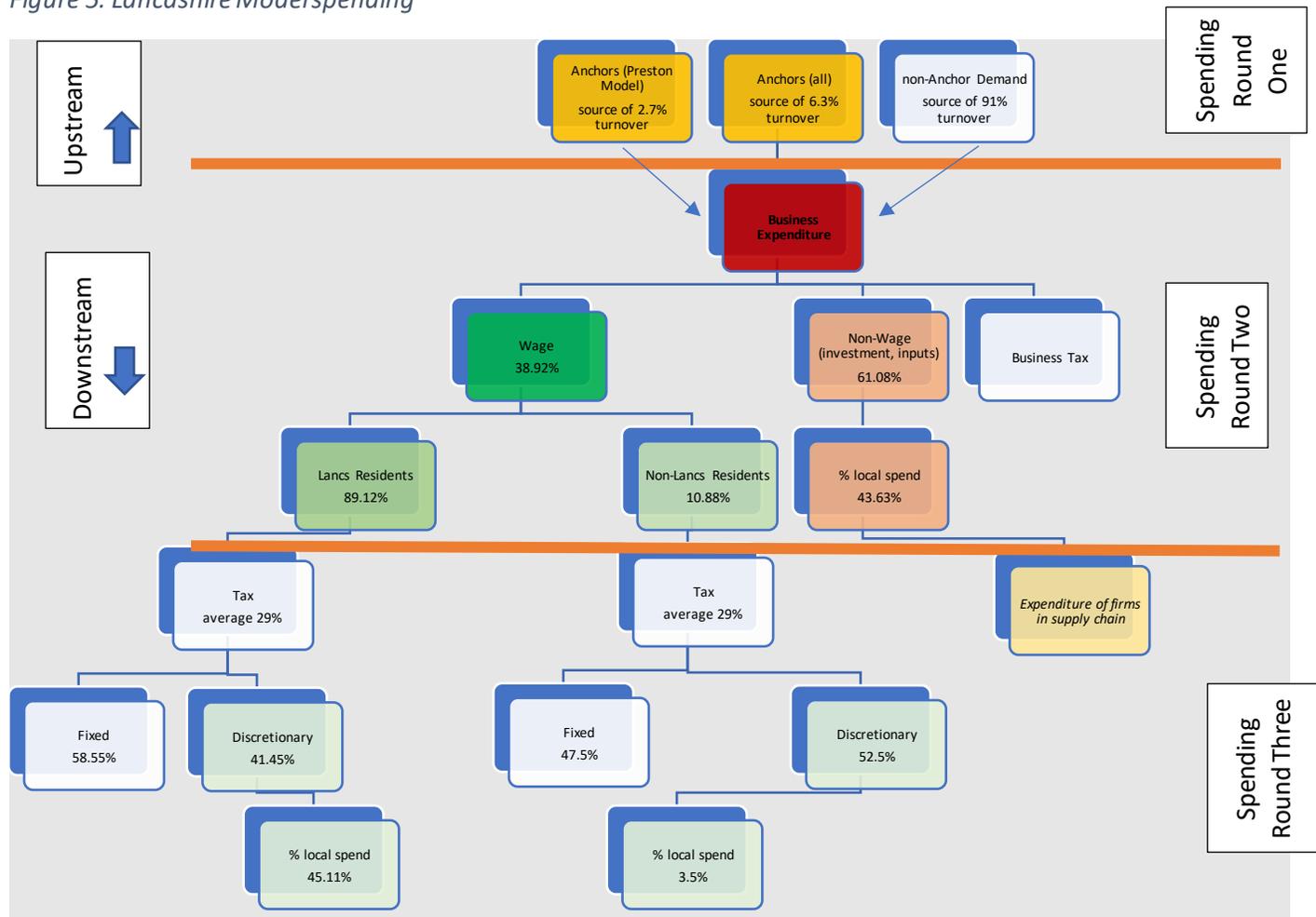
This allows the simple multiplier calculation as follows:

$$k = \frac{1}{1 - (0.2725 + 0.0475)} = k = \frac{1}{1 - (0.32)}$$

Hence, $k = 1.47$

Thus, to the extent that the respondents to the business and employee surveys are broadly representative to those working in the creative industries in Lancashire, an injection into the sector of £1m might be expected to generate direct, indirect and induced additional activity within the Lancashire economy of £1.47m. The steps taken, and the estimates produced, are illustrated in Figure 6.

Figure 5: Lancashire Model spending



38.92% of total business expenditure, 4.75% (0.1221 x 38.92) of local economic impact derives from wage expenditure by respondent firms.

Appendix 3. Redefining Creativity- Business Survey

A primary component of the stakeholder consultation was a *Redefining Creativity - Business Survey* (CBS). This was developed with input from three Lancashire creative business member organisations - Creative Lancashire, Digital Lancashire and Arts Lancashire – who acted as research partners for the project. Their input helped to ensure the suitability of questions, the relevance of the project to the sector and to facilitate the distribution of the survey. This was sent to over 2500 of their members and contacts, promoted online and through social media. The survey comprised 37 closed and open-ended questions. Its structure consisted of the following five sections: (1) asking about the nature of respondents' creative work; (2) inquiring into the impact of clustering; (3) focusing on business activities; (4) concentrating on the impacts of the COVID-19 pandemic; and, (5) regarding decision-making linked to local economic activity, including the 'Preston Model'. The survey utilised routing to present respondents with the shortest and most relevant (order of) questions and maximise completion rates. The survey was followed up by an additional 23 telephone interviews with creative firms and sector experts. These interviews gathered a range of perspectives across sectors, size and scope of organisation and locations in Lancashire.

The online qualitative design was supported via Qualtrics software, while STATA software was used for quantitative data analysis. Given the restrictions put in place due to the COVID-19 pandemic, qualitative data was collected mainly via telephone-based interviews. Participants were invited to take part voluntarily in this research project, based on the main inclusion criteria of being involved in the creative industries in Lancashire as business owners or freelancers or sector experts. Answers to the survey and the interviews were fully anonymised and kept strictly confidential, Interview participants were given pseudonyms.⁴

A response rate of 11.2% was achieved in our online survey, with 280 businesses taking part, of which 181 respondents had a sufficiently high completion rate allowing them to be included in quantitative analysis. This was deemed to be a good response rate, given the difficulties encountered by the fieldwork phase due to the COVID-19 restrictions making it more difficult to contact businesses, many of whom were not able to operate at various points during the pandemic, and those contacted had other pressing concerns not connected with completing an academic survey. An incentive was offered to encourage survey completion, whereby three commissions of work were offered to participants upon the overall survey completion rate reaching a certain point. The sum involved was match-funded by the research partners. These commissions were jointly allocated by the research team and the three research partners. This had the additional advantage of the research project making a small but hopefully meaningful practical demonstration of support for the creative sector in Lancashire, in addition to the findings of the project which are hoped to provide benefit by strengthening the evidence

⁴ The research design for this project was, to a significant degree, impacted by the restrictions upon social contact necessitated by the advent of COVID-19. Consequently, the initial research design, which would have relied upon the active involvement of anchor procurement officers and the utilisation of a full range of procurement spend, had to be changed as these key research partners had to prioritise other matters, such as sourcing personal protective equipment for their key workers and manage the rapid transition to working from home. Accordingly, the project shifted its focus from downstream analysis, starting from the procurement decisions of anchor institutions, to analyse the combination of upstream and downstream impact deriving from creative firms; the latter becoming even more of a focus than in the initial research design.

base available to stakeholders and policymakers. Not all respondents answered all questions, hence usable responses used in the analysis (n) are stated when the results of the analysis on a given point are presented in the paper. Nevertheless, the data collected was sufficient for the analytical methods utilised.

The comparative table below (Table 1) demonstrates the composition of firms that engaged in the *Redefining Creativity – Business Survey*. From the total number of respondents who provided detailed data on company characteristics, 84.7% of the survey sample were classified as micro organisations and 99.3% as SMEs⁵. This is remarkably close to the overall creative business composition within Lancashire and the North West, albeit, in the latter case, there is a slightly larger proportion of larger creative enterprises than is the case for Lancashire, with the survey sample falling in-between. Nevertheless, in this crucial respect, the stratification of the survey matches the creative population, which implies that the analysis of survey data should result in findings that approximate the creative business population in Lancashire as a whole (see Table 1).

Disaggregating by creative industry (Figure 3), the survey respondents included a strong presence from cultural activities. In terms of the number of respondents (frequency), the largest three categories are arts and crafts (22.3%), film and media (16.9%) and music and the performing arts (16.2%). Digital respondents constituted only 8.5% of the total. Compared to earlier studies, such as that completed by Garner and Crowley (2015), it would superficially appear that survey data under-represented digital industries, whilst over-representing film and media, and arts and crafts. Figures are not, however, directly comparable between studies. Arts and crafts are often subsumed into other categories due to their relatively small numbers in certain geographical areas⁶. Garner and Crowley (2015), for example, presumably split arts and crafts activities between performance and visual arts, and elements of design. Publishing may, similarly, have been inflated by the inclusion of aspects of media. This makes direct comparisons difficult.

Table 4: A comparative view of business by organisation size (number of employees)

	Lancashire (Qty)	Lancashire (%)	North West (Qty)	North West (%)	Redefining Creativity Survey Sample (Qty)	Redefining Creativity Survey Sample (%)
Enterprises						
Micro (0 to 9)	39,050	88.4	237,100	88.8	128	84.7

⁵ In line with the European Union (EU) definition in common use in the literature, an SME is an organisation with fewer than 250 employees and turnover below the equivalent of 50 million euros. For the purpose of ease of access and readability, in this report the terms SME, organisation, company, enterprise, workplace, establishment, firm and business may be used interchangeably, although some specific differentiation among these terms is highlighted at times.

⁶ https://www.craftscouncil.org.uk/documents/881/Measuring_the_craft_economy_2014.pdf

Small (10 to 49)	4,240	9.6	24,465	9.2	22	14.6
Medium (50 to 249)	750	1.7	4,435	1.7		
Large (250+)	155	0.4	1,055	0.4	1	0.7
Total	44,195	-	267,055	-	151	-

Notes: The following definition is used by the Office for National Statistics (ONS) and the Lancashire County Council business analysis (LCC, 2017): An **enterprise** is the smallest combination of legal units (generally based on VAT and PAYE records) with a degree of autonomy as part of an enterprise group. **Source: Nomis (2021) using the Inter-Departmental Business Register (ONS); Redefining Creativity: The Creative Business Survey (including only the 151 answers to organisation size).**

It is perhaps inevitable, given the inter-linkages across the creative sector, that there is a certain degree of fluidity concerning how the activities of individual firms are recorded. A firm working in the games sector could be categorised under digital, design or media. The survey responses point to longstanding issues of identity with the creative sector concerning what is technical (digital) and what is understood by participants as creative as described by Simon⁷, in the digital sector.

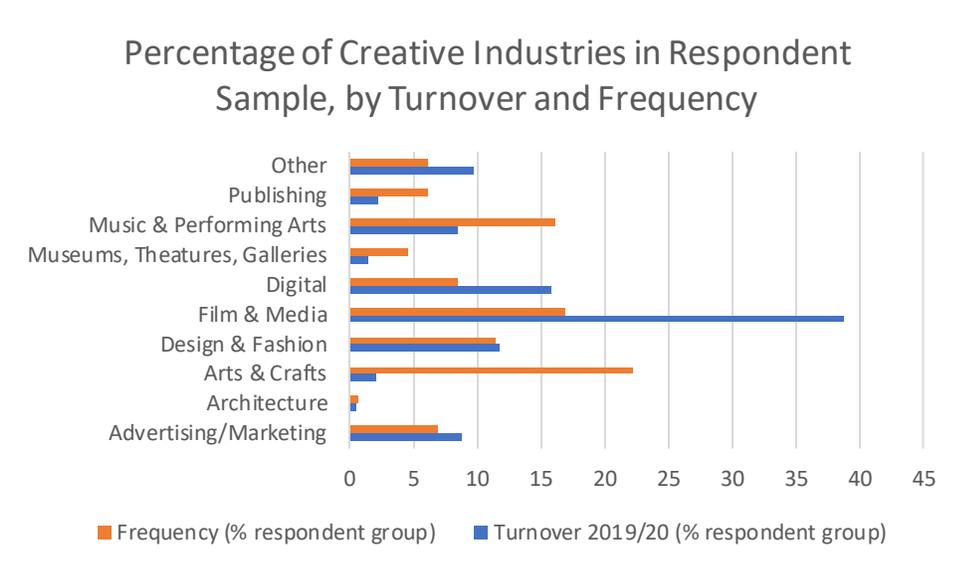
“As an organisation trying to reach out to the digital communities it is quite complex to try and work out who they are, where they are, which sector they’re in, are they digital, are they not? And then of course the challenge beyond that is, and again which alludes to the first point really, is a lot of people wouldn’t consider themselves digital when clearly, they are because of either the tools they use or the impact their work has directly on things.....but you work in digital and that still isn’t quite clear what that is. So, there’s still some work to be done to work out the definition of digital”. Simon, Digital Agency

When considering the economic significance (in terms of turnover) of the respondent group, however, the most significant creative industry was film and media, representing 38.8% of total sample turnover, followed by digital (15.9%), design and fashion (11.8%), advertising and marketing (8.7%) and music and performance (8.5%). Although the most numerous amongst the creative industries participating in the survey, the arts and crafts industry constituted only 2.2% of the total sample turnover.

Reflecting the preponderance of micro-firms within the respondent sample, the proportion of firms with turnover no greater than £100,000 per annum equated to 70.5% of the total, with a majority (56.4%) having a turnover of £50,000 or less. There were only seven firms (5.3% of respondents) with a turnover greater than £1m in 2019/20, and yet these firms generated fully 71.1% of the total turnover for the total sample (£29.65m). Indeed, one US-owned firm, with a turnover of £15m, accounted for 35.95% of total respondent turnover. These seven firms were concentrated in the digital, advertising/marketing and media segment of the creative sector, with one exception, namely a single large business in the music and performing arts industry.

⁷ All names are pseudonyms.

Figure 6: Survey response by turnover and sector



There is also a similar issue with the underrepresentation of architecture, which is another field that often stands apart from the creative industries grouping, with its dedicated support networks (e.g. the Royal Institute of British Architects, RIBA). The survey response is reflective of those groups who are more likely to be associated with the three research partners, which is not surprising given their involvement in the creation of the initial contact list for survey distribution. There was some evidence that other sectors did not identify as strongly with the 'creative industries' label and hence did not perceive the survey as useful or as relevant to their particular industry.