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Rt. Hon Philip Hammond MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
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22 September 2017

Dear Chancellor,

This year's budget is an opportunity to take further steps to increase the growth potential of the UK's games and interactive entertainment industry.

Ukie represents the best of the UK games industry. On behalf of our members - 360 multinational and national established, start-up and scaling games and interactive entertainment businesses across the UK – as well as the wider industry consisting of more than 2,100 companies we present our proposals for the Budget.

This government has already done a great deal to strengthen our industry and put the UK on track to be the best place in the world to make and sell games. Through the industrial strategy, where the games industry, as part of the wider Creative industries, are subject to an early sector deal, and in a post-referendum world, there are several short, medium, and long-term considerations for Government that Ukie believe will maintain the best environment for our sector. Getting these elements right will not only benefit the creative industries, but also the wider economy through the positive spill-overs that a business friendly and digitally capable workforce can provide.

The introduction of the Video Games Tax Relief was a strong signal to the rest of the world that the UK government recognised the value and importance of the UK games sector and the need to continue to support its growth. Underpinning the industry however is the wealth of talent in the workforce and the introduction of coding to the curriculum, as advocated for by the Next Gen Skills campaign funded by Ukie members, will ensure that we have a supply of workers prepared for our future high-tech, creative, economy.

Games companies generate high-quality, high skilled, high-productivity jobs with an average GVA per worker in 2014 of £68,250 – and this is set to rise higher as the UK begins to take the lead in new and emerging technologies.

We are leading Europe in VR and AR development with over 460 companies operating across the country. In London alone these companies have attracted a combined VC investment of \$645.7m (*PWC / Immerse UK, July 2017*) and other significant VR and AR talent hubs include Birmingham, Oxford and Cambridge. This is bolstered by unprecedented domestic demand, The UK will have the largest and fastest growing VR hardware market in EMEA, worth £0.8m in 2021, growing at 76% CAGR.

The output of the UK industry is enjoyed the world over with over 90% of the sector exporting their products and services.

This is arguably one of the most significant Budgets for a while, coming at an uncertain time for the future of the UK following the EU referendum, there is much need for certainty and confidence in our economy. Whilst there are some challenges ahead, we believe that the post-referendum world offers further opportunities to support the games sector.

We propose the following measures be included in the Budget:

#### Public Funding

Recently introduced public support for the games industry is beginning to have strong multiplier effects, boosting overseas investment and fostering a new generation of potential start-ups and helping start-ups to scale. According to data released by HMRC in July 2017, Video Game Tax Relief has provided £119m to by UK studios across 420 claims since the relief was launched in April 2014. To date, a total of 295 video game productions have claimed the relief, supporting over £690 million of UK expenditure, and in the first year of its operation we saw over 4% growth in high-productivity development jobs, contributing to an overall 5.6% increase to £1.1 billion in GVA. We welcome the commitment to the VGTR and other creative tax reliefs as highlighted in the industrial strategy, as well as looking to opportunities to accelerate our industry's growing success through the early sector deal.

In our May Manifesto "Powering up" we called for Government to provide new funding as well as a clear remit to public and cultural agencies to support the coordinated development of the games industry. In order to best support the games sector, we recommend as priorities that the Government:

- Provide further public support for scaling games companies through more funding to support innovation and the production of new games content.

Ukie endorses the recommendation made in the Bazelgette Review of the Creative Industries to expand and enhance the existing UK Games Fund programme over the next 5 years to benefit building commercially sustainable businesses, address the well documented funding gap beyond the scope of the existing scheme and supporting cultural and initially non-commercial projects such as games that explore difficult themes including mental health, games that can be deployed as learning resources to promote wider digital literacy and aid social mobility schemes.

We believe that Government funding of £23.7m over 5 years would leverage a further £21m of private sector funding with an anticipated increase of over £100m GVA.

In the longer term, we believe the games industry should be given access to the same type of industrial and cultural funds – including National Lottery money – that other creative sectors receive.

To support the optimum conditions under which the proposed above expansion can succeed the industry will lay the groundwork for a national coordinated strategy, working with key public and private partners to deliver an expanded, coordinated vision for the UK games sector.

### Skills and Talent Development

As a global industry, the games sector's growth relies on bringing together top technical and creative talent from across the world, as well as ensuring that there is a steady flow of home-grown talent entering the industry. This workforce is a benefit not only to games companies, but to other sectors of the UK economy that rely on technical and creative talent to drive innovation.

As identified through our State of Play report looking into the impact of Brexit on the games industry, continued access to a skilled and talented workforce is the number one concern. As the negotiations continue the UK's tech and games businesses must continue to have frictionless access to the diverse and highly skilled talent they need to grow, and Government should guarantee the status of EU nationals performing vital roles for the UK games industry now and in the future. Further, it is crucial that the Government develops a long-term strategy to up-skill the UK's population to ensure that talent shortages don't have an impact on our industry's current and potential growth. Ukie are working with the wider creative industry through the industrial strategy sector deal process to deliver a skills programme to help address the situation. From encouraging a broader and more diverse talent base into the sector through better careers advice, supporting leadership across the industry clusters nationwide and working with government to expand opportunities within the apprenticeships system.

In support of the new computing curriculum Ukie together with the games sector, has developed the Digital Schoolhouse programme. Digital Schoolhouse supports the drive to increase the computer programming skills base in UK, as well as supporting growth, productivity and innovation in the creative and digital industries in the long term. It does so by facilitating regional school networks that support teacher delivery of the curriculum and promote STEAM skills and related career opportunities to students. Crucially teachers are upskilled through learning alongside pupils and free personalised support after the visit.

The UK-wide growth potential for digital and creative sectors is strong and can be supported through expansion of the DSH programme. Moreover, there is an opportunity to expand the programme into at least some of the 12 opportunity areas that would especially benefit from increasing skills and advice provision for pupils, teaching and leadership capacity in schools, and access to universities. The programme would therefore help strengthen a talent pipeline in social mobility "coldspots" for the creative industries, which have traditionally struggled to attract a diverse workforce. Finally, the programme would initiate or strengthen regional partnerships of schools, universities, businesses, and local authorities. However, these opportunities can only be realised through Government intervention to match industry's investment in the broadening and acceleration of the DSH programme.

We call on the government to:

- Support the development and expansion of the Digital Schoolhouse programme through an investment of £1.5m over 4 years.

The programme has supported over 16,000 students and 1784 teachers from over 230 schools across the country since September 2014.

The proposed investment will enable the industry to:

- support approximately 97500 additional students by 2020.
- support more than 11k additional teachers.
- establish at least 50 additional Digital Schoolhouses across the country.

### Trade and Investment

Over 50% of the UK games sector is based outside of London and the South East with established clusters throughout the country. It is this strength in regional clusters which makes the sector such an important part of the UK's creative economy and a valuable means of driving regional economic growth. As a magnet for talent, a driver of cutting edge innovation, a global and export led industry, the regional presence of the sector has the potential to lead the charge in helping to rebalance the UK economy if the opportunities are taken advantage of.

- support and funding to encourage **LEPs and local authorities** to integrate games and the wider digital creative sector into their plans, working with industry to deliver targeted support required in existing clusters

Ukie have developed a “Blueprint for Growth” with the Coventry and Warwickshire LEP, which highlights the cultural and economic contribution made to the region by the games industry and makes recommendations for how to grow the games sector in the area to benefit the wider digital creative sector.

This is part of Ukie supporting the growth of games businesses across the UK. We very much want this to be blueprint for how other clusters can support the games and wider digital/creative industries and is an approach that we will look to replicate in other games clusters.

Internationally, the games industry has seen significant and rapid growth in recent years. With the global games audience estimated between 2.2 and 2.6 billion people and the global market expected to grow from \$101.1bn in 2016 to an estimated \$128.5 billion by the end of 2020, the opportunities for the UK games industry have never been greater.

The UK's legacy in games development is recognised around the world, giving us the potential to take a far larger share of this fast-growing global market by striking deals with new international partners and boosting the levels of export and inward investment for the games industry. Nevertheless, the UK's future trading relationship with international partners will be partly determined by our future relationship with the EU, and we believe that Government should ensure that the games and wider creative industries' access to the EU market is retained without the imposition of tariff and non-tariff barriers for goods and services. We believe that over time there will be considerable new global opportunities for the game industry to exploit by negotiating new trade deals with high-growth countries like China and Brazil, which will enable the UK's game industry to deliver even greater value to the UK economy than it currently does.

As with skills and talent, Ukie are working with the wider creative industries on the Sector deal for the industrial strategy. There are a number of publicly funded export support initiatives in place, including grant programmes such as the Tradeshow Access Programme (TAP) and [others], and a range of online and other advice services and tools. Many of these are useful. However all of them currently appear to operate independently of each other, with different criteria and application processes and long lead times for decision making, and businesses are often asked to participate in

centrally organised trade promotion activities at very short notice. Budgets tend to be set on an annual cycle, which mitigates against effective strategic planning.

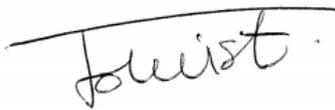
We recommend that the Government seize the opportunities presented by the games sector for greater regional and international trade through:

- Supporting a worldwide plan of **international trade and investment** activity for the games industry.

Echoing again the recommendations made in the Bazelgette Review, working with the Department for international Trade, current sources of export and trade promotion support should be combined into a single fund, to be overseen by an industry-led International Trade Board working in partnership with Government, alongside industry investment in trade promotion. The Board would set a multi-year strategy, in consultation with industry and Government, identifying priority markets and activities. The Board would make decisions on funding allocations against this strategy, within parameters agreed with Government: support could be delegated to industry trade bodies and others or invested directly in key events and trade missions.

I look forward to discussing all our ideas with you in the coming months.

Yours sincerely,

A handwritten signature in black ink that reads "Jo Twist". The signature is written in a cursive style and is positioned above a horizontal line.

**Dr Jo Twist OBE**  
**CEO**  
**UK Interactive Entertainment**