

Recommendation 1

UK and EU funding to recognise the contribution and modern nature of games, ensuring effective support alongside other creative industries

With the VGTR now in place the UK government will be keen to ensure that the new policy is as effective as possible.

An important element of this is the availability and design of public funding support. Where support already exists for games our research identified a lack of coordination amongst agencies, coupled with low industry awareness of what is available. Consultees believe that reform and consolidation of funding is vital to unlock the full cultural and commercial benefits offered by the introduction of VGTR.

Support funding - the film model

National and regional bodies, led by the BFI, provide support to the film sector to tackle cultural and economic market failures through a diverse series of programmes. These include:

- **BFI Film Fund (£26m) for development, production, distribution and export**
- **BFI support for film abroad (£1.5m)**
- **BFI/Creative England Film Business Support scheme (£2m) to improve growth and sustainability**
- **BFI Creative Clusters Challenge Fund (£250k) to strengthen regional hubs**
- **BFI support for production of micro-budget films, e.g. Triangle, iFeatures, and Microwave**
- **Creative England's Innovation and Creative Hubs - supporting regional development**
- **Ffilm Cymru development and production funding**
- **Wales Screen Commission and Welsh Government incentives**
- **NI Screen incentives**
- **Creative Scotland's new £1.75 million Production Growth Fund³²**
- **Screen Yorkshire's Yorkshire Content Fund - leveraged £30m investment with ERDF funding**

The success of the UK film sector in attracting inward investment, growing domestic talent, and expanding its global cultural and economic reach, has been accelerated over the last decade by combining an effective tax relief system with this wider array of support functions. Consultees to this research felt that to see the full impact government intends from VGTR, equivalent support functions and funding, appropriate to the games industry should be put in place.

It is recommended that the games industry be given access to the same industrial and cultural funds – including National Lottery money – that other creative sectors receive. Funding to improve investor readiness and commercial management, support cultural production, improve access to markets, foster regional hubs, develop talent, grow awareness among investors, and other functions, will unlock the full long-term cultural and commercial potential of the UK games industry.

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**The 2014 Nesta
 map found
 that two thirds
 of UK games
 companies are
 not captured
 by official
 SIC codes.³³**
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This support would not only reflect the audience value of the games sector, but also be a foundation for the emergence of new products, innovation and culture. Of central importance is ensuring that existing agencies are clearly empowered to support games, invested in doing so, and their efforts coordinated. Government funding for this should be additional to existing funding for the creative sector.

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ACTION: Ensure all relevant public agencies have a clear mandate to support games, new talent and new ideas from the sector.

While such support currently exists, in this research it proved impossible to determine the exact volume of funding to which games companies in the UK can have access. This reflects the plethora of small, disparate, and often badly-tailored funds to which games companies currently, in theory, have access to. This underlines the need for greater coordination as well as better data.

Working together

Many agencies are already experimenting with support for games. Arts Council England are opening some cultural funding to games. The British Council provide assistance to the UK's arts community through a range of projects and programmes, including showcasing the UK's artists and brands, building opportunities for collaboration and exchange, and supporting artists to visit other countries for research or development. They are actively looking into how this can be extended into the games sector.

An effective strategy will bring this existing work together and coordinate it to amplify its effects, ensuring also that application processes are streamlined. This will help identify where further interventions can have most impact, targeted to avoid duplication of effort. This would also significantly improve industry awareness and understanding of what is available.

By providing such support the full impact of VGTR can be unlocked, offering start-ups in particular opportunities to grow, learn and connect with wider networks, and emerging talent can be encouraged to stay in the UK. Initially, this model should be adopted through the opening-up of existing funding providers, though the impact and efficiencies of a games-specific Lottery and public funder should be investigated.

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ACTION: Bring existing agencies together to identify additional investment for games sector over the period of the next spending review. Explore case for a games-specific funding settlement.

³³ Nesta, 2014.

³⁴ DC Research, Economic Contribution Study, June 2012.

³⁵ This report presents the latest information available, including primary research from Olsberg•SPI.

European funding

European funding has also played an important support role for the creative industries. In particular, the MEDIA strand of Creative Europe offers funding to support distribution, audience development, access to new markets, cooperation projects, international coproduction, and support for festivals, amongst others. These totalled €27.9 million (£19.7m) in 2014, but have yet to be accessed sufficiently, if at all, by the games industry, and in many cases have clearly not been designed with the games industry in mind.

Rather than access to these broader funding streams, games companies have been restricted to a single production support fund with a total of €2.5m (£2m) across all member states - just 1.2% of Creative Europe's total annual budget. This fund is only open to an outdated notion of 'narrative' games – excluding a majority of innovative and culturally valuable European games.

Reforming these structures to make them comparable in scale and scope to those offered for other sectors, and more reflective of the true cultural nature of games, would be a major boon for the games sector in the UK and Europe, underpinning growth.

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ACTION: The UK should work with the European Commission to help Creative Europe recognise games' cultural role, and reform an outdated approaches to funding.
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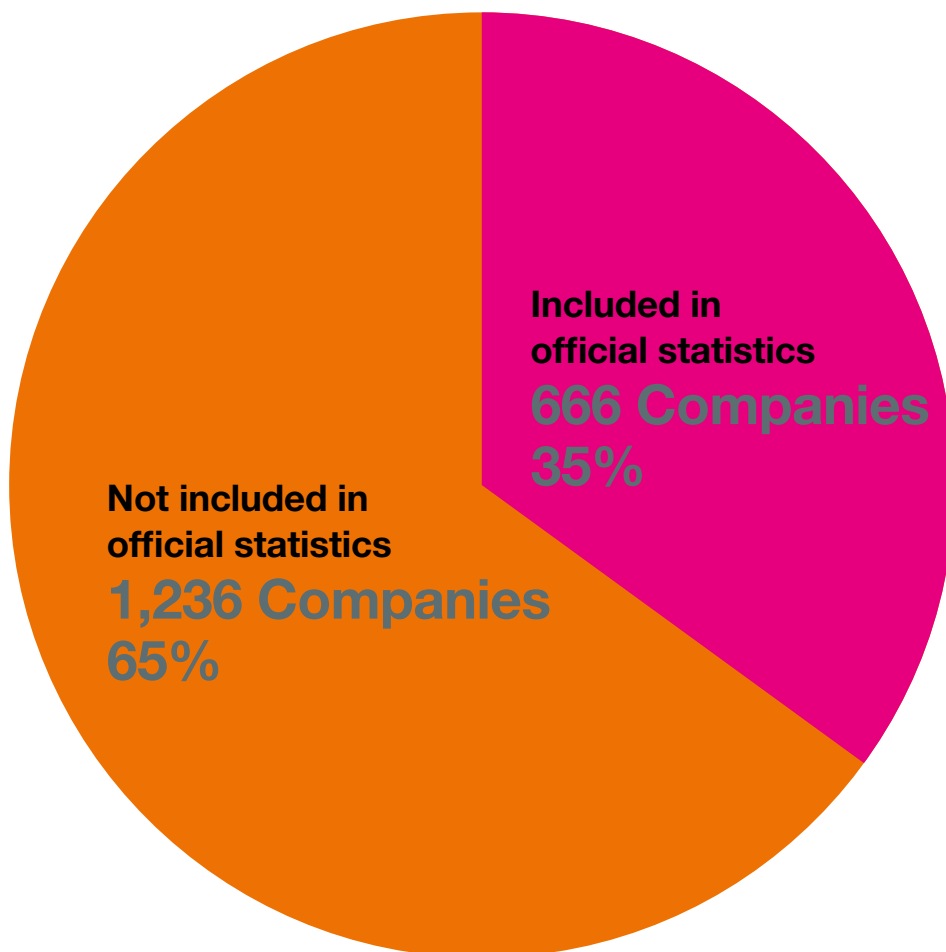
Getting the data right

An accurate understanding of the current size and status of the industry is needed, so that progress against this report's proposals can be benchmarked. It is particularly crucial that the government's own estimates are dependable as they will be the basis on which policy decisions are made. This was demonstrated in Scotland, where a 2012 report valued the sector at zero, despite the presence of a key cluster in Dundee.³⁴

The official statistics do not properly represent the games industry. In particular, there is a weakness in the Standard Industrial Classification (SIC) code system. There are two codes representing the core of the games industry: one for games publishing and one for games development. The latter however is a sub-code, included within a general 'computer programming activities' code.³⁵

This makes it impossible to accurately measure the whole size of the industry, particularly with so many new companies forming in the tech sector. As a result, DCMS' annual economic estimates do not directly address the games industry. The two games SIC codes are included as part of the "IT, software and computer services" sub-sector, and games are only discussed directly in a separate annex.

Total games companies in the UK: 1,902



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Emerging findings in 2014 suggested that there is a link between games clustering, the quality of local broadband, and the depth of the local talent pool³⁶
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The recent rapid growth in the games industry, particularly in new development studios, means that games development is now large enough to justify its own SIC code, allowing it to be properly estimated. This would further enable the proper measuring and reporting of the games industry as a whole. Such a change requires agreement at the international level, where the international SIC system is determined.

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ACTION: UK Government to lead calls for reform of SIC system at UN and EU level to ensure new industries such as games are accurately measured.

³⁶ Nesta, 2014.

Recommendation 2

Support regional growth, FDI and exports across the UK

The UK games sector is developing across a number of geographically diverse creative clusters, with other clusters currently emerging. Indeed, there are other clusters still that have not been fully recognised by research that contain significant numbers of employees, if not large companies – such as Leeds.

These clusters offer a ready platform for further regional growth as power is devolved to the UK's nations and regions. Games companies offer a strong basis for regional growth given that they generate highly-skilled and high-productivity jobs. All of these should be able to attract investment, given the right assistance.

Regional growth and Foreign Direct Investment (FDI)

The wide regional distribution of these established and emerging games hubs suggests that the growth of the games sector can play an important role in the redistribution of employment and economic benefits outside of London and South East. Whitehall has looked to LEPs as one of its tools for addressing the issue of regional equity.

A number of regional bodies have adopted strategies to maximise the benefits of the games sector in their local areas. The London Enterprise Panel is funding the 2016 London Games Plan and has worked with the industry on computing education, digital skills and apprenticeships. Yorkshire's Game Republic is a good example of this, providing a range of networking opportunities for its members, whilst working to bring key sectoral players – including Apple and Sony – for meetings in the region. Meanwhile, Games Wales runs a successful local development show, which has supported the ongoing maintenance of the Welsh gaming community.

However, the funding of games companies through LEPs is not uniform across games clusters. There may be programme-design issues which make the types of funding available through LEPs ill-suited to games companies, thereby, resulting in underutilisation. Increased awareness of LEP funding would represent a first step in addressing this as would a LEP focus on the games sectors in the 12 clusters.

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ACTION: Drive regional economic growth by developing local strategies for scaling up existing games clusters.

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A recent survey of Ukie members showed that over two-thirds of members generated more than 60% of their turnover outside the UK

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Broadband and connectivity

Several consultees reported that internet speeds and available bandwidth were a threat to the future growth of games businesses and even investment decisions. The Chancellor's Productivity Plan in July 2015 sets out a road map to support digital infrastructure, developing a series of measures to decrease red tape and cut costs for infrastructure providers. Progress is welcomed but the UK needs a more flexible system to enhance infrastructure investment decisions, especially in games clusters.

Experiments with ultra-high bandwidth (e.g., by Google in Kansas City, USA) suggest that there is a relationship between digital infrastructure and entrepreneurship. Nesta have proposed a new Demonstrator Fund to improve local innovation and competition.³⁷ The experience of initiatives like the £11.38 million Gigabit Bristol18 programme (grant funded by BDUK under the Super Connected Cities programme) and the £24 million Glasgow Future City programme (funded by Innovate UK) should be studied carefully.

For games business use in particular, upload speeds are as important as download speeds. Speeds impact both the ability of geographically dispersed teams to work on large files, and the ability to send data back from players to improve the game play experience. The UK should be prepared to support ultrafast roll out that reaches speeds beyond hundreds of megabits, and into the tens of gigabits, that are already being tentatively rolled out across the UK by new providers.

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ACTION: Ensure that high-speed broadband needs are met in games and digital economy clusters by 2020.

Co-working space

The development of more affordable office spaces is highly desirable for future growth of the sector, and should be part of broader regional growth strategies for the games sector, driven by new and existing devolved authorities, and supported by the LEPs. One such example is Court Street Creative Arches for new creative industries in Leamington Spa's growing cultural quarter, supported by Warwickshire County Council. It is recommended that all LEPs develop plans to support local growth in the games industry, building on their existing clusters to develop more highly-skilled, productive, and creative jobs.

Universities and games

LEPs will have a crucial role in linking together with start-up businesses to ensure the UK is able to leverage the inventiveness of its HE sector. Initiatives such as the DeMontfort University Innovation Centre in Leicester underline the role which academia should play in regional development. The Abertay Prototype Fund, which saw the Dundee-based university engage heavily with games SMEs, provides a further good example of this process in action.

³⁷ <http://www.nesta.org.uk/publications/ultra-fast-digital-infrastructure-uk-are-we-missing-trick>

³⁸ Newzoo, 2013.

³⁹ UKTI, "UK Creative Industries: International Strategy", June 2014.

Exports, inward investment and UKTI support

The global market for games was estimated at £54.3bn in 2014, and is forecast to reach £73.6bn in 2018, which represents an annualised growth rate of 7.9%.³⁸ 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 market.

UKTI has recognised this opportunity by setting targets for growth in exports and inward investment in their *International Strategy for the Creative Industries*.³⁹ These targets apply to the games industry but a clearer, publicly-available plan is needed to make this happen. One of the key challenges to be addressed is around metrics and how digital exports are defined and therefore measured. Ukie is engaging closely in UKTI's continued work with the creative sector as a whole to help achieve this, but it is crucial that these broader conversations support the UK games sector's drive to export more.

Consultations conducted for this research have made clear there are frustrations with the current support offered. The tax relief continues to be poorly understood in other major games markets, alongside other misconceptions such as a belief that London prices for property and wages hold throughout the country. Funding such as Tradeshow Access Programme grants has been reduced, and overall there has been a lack of coordination of support for the games industry.

This coordination must be improved. The creation of a lead agency for games export and inward investment promotion, mirroring the success of 'We Are UK Film', should be investigated as part of a wider review of trade and investment support for the games industry. The starting point should be the accurate benchmarking of current performance, so that progress can be tracked.

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ACTION: Officially benchmark national and regional growth in markets, international audiences, FDI and exports.
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ACTION: Launch an outcomes-based review of trade and investment support for the games sector, considering if there is a more efficient model for the implementation of current funding.



Recommendation 3

Grow, attract, and retain the best talent

The future of the games sector is dependent on maintaining the flow of talent entering the industry. Rapid growth has meant that the industry has already absorbed this talent and the environment is extremely competitive as demand for skilled workers is driven up by other sectors. A long-term vision for games talent includes investment in computing and 'STEAM' (Science, Technology, Engineering, Arts, Maths) education, quality higher level apprenticeships and a flexible immigration system.

5-19 Education

Despite progress following the recommendations as noted by the Next Gen. report and associated campaign, there remain issues with primary, secondary and further education on pupil take up, schools preparedness and teacher training. The House of Lords report on Digital Skills noted one of the causes of the tech skills shortage is underinvestment in STEAM education at younger ages and lack of adequate teacher training in the new Computing curriculum.⁴⁰ It is also concerning that the number of female students taking computer science A Level continues to be the lowest of all STEAM subjects; this is reflective of broader issues relating to female participation, which affect the UK tech sector.

The UK needs to be given the strongest skills base for computer games in the world. For games, the integration of technology in art education is a priority, and there is industry concern about Art at GCSE and its status on the curriculum. Initiatives such as Nesta's Schools' Digital Pledge should therefore be supported to ensure that the curriculum brings together art, design, technology, and computing, so that young people are able to enjoy greater opportunities to work creatively with technology both in and out of school. The future strength of the UK games industry rests on the sector's ability to inspire, recruit, and promote people from diverse backgrounds.

ACTION: Support STEAM education in schools, recognising the importance of Art as an essential discipline at GCSE, not just for the creative sectors, but for other high-productivity industries including design and engineering.

Formal and informal education and digital learning initiatives such as Apps for Good and Code Club will help *Raspberry Pi*, *BBC Micro:bit* and other technologies into schools, developing programmes to ensure that pupils are able to use these in a variety of exciting and inventive ways. This includes ensuring the development of play-based pedagogy in classtime and technology-enhanced learning, of the kind now being developed in classrooms through the Digital Schoolhouse Programme.

ACTION: Fund early intervention in schools in games clusters through 12 Digital Schoolhouse hubs.

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61% of Ukie's members currently have 25 or fewer employees, but 80% expect to grow in the next 18 months
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⁴⁰ House of Lords Committee on Digital Skills, 2015.

Apprenticeships

Improving the number of apprenticeships in British industry is a top priority for the new government, which has set a demanding target of 3 million new apprenticeships over the next Parliament through a new levy - a mandatory payment by businesses into a common pot which is then used to pay for shared benefits, such as in-work training and apprenticeships.

The best way to enable the Government to reach its target would be to make the levy as flexible as possible. In particular, the design of the levy should incorporate the needs of the large numbers of SMEs in the games sector. It is recommended that the apprenticeship levy funding is used for developing new standards applicable to the games industry, so they can spend their digital vouchers as effectively as possible.

Games investment in apprenticeships has so far been focused on over-18 Higher Apprenticeships which will give young adults the skills they need to develop careers and businesses. The Next Gen Skills Academy has started the development of level 4 Higher Apprenticeships with their Games and VFX employer consortia of over - mainly SME - 100 employers. With older age groups, the Next Gen Skills Academy is also helping post-university students to become work ready with a 'finishing school', and working to develop CPD courses, as well as ways to get under-represented groups into the sector.

Continued government support to fund Next Gen Skills Academy (NGSA) Higher Apprenticeships will be important to ensure this vital development work for the future of the sector continues and the government target on apprenticeships is meaningful to the games industry.

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ACTION: Work with employers to ensure apprenticeship levy funding is appropriate for SMEs and fund NGSA Higher Apprenticeships by and for games employers.
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Ensuring the full benefits of this will also require continued investment in skills, which has proven highly successful in recent years. This is reflected in the games sectors' absorption of the vast majority of those who have passed through skills programmes, which consultees have advised has been a key factor in recent growth.

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ACTION: The Skills Investment Fund is working to support the industry's growth track, and it or an alternative should be supported over the course of the next spending review.

Overseas talent

Though the domestic pipeline for talent has improved in recent years, it is not on its own sufficient to support ongoing growth; access to skilled workers from wherever sourced continues to be essential if the games sector's growth track is to be maintained. The first cohort began the new GCSE computing curriculum in September 2014. It will be at least 10 years – 2024 at the very earliest – before any of them enter the workforce in significant numbers. This includes the three years of in-work progression up the team-leading roles that companies most often seek to fill with workers on tier 2 visas. Without these positions, industry growth will stall.

It is very often the ability to hire experienced, highly skilled staff who can manage projects and teams that will determine whether a game can go ahead, and whether a studio can expand accordingly. Making it more difficult to find such people from outside the EEA does not mean that UK citizens will be hired instead. More often it means that the project simply will not happen in the UK, and the 10 or more UK citizens that would have found jobs in the team will not be hired as well.

In recognising the open, global nature of the games sector – and all the attendant benefits this brings for exports – it is strongly recommended that the government avoid putting heavy regulation on the bringing in of foreign talent to the games industry, without first ensuring that the domestic talent pipeline can support the needs of games companies.

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ACTION: Carefully consider plans regarding Tier 2 visas, avoiding the implementation of new barriers for recruiting overseas talent. Ensure SMEs and start-ups are not disadvantaged by the new system.



Recommendation 4

Create the very best tax environment and digital marketplace to do business worldwide

A stable regulatory environment is highly desirable for businesses across the UK, but is particularly important for the games industry given the highly mobile nature of global investment. Uncertainty on policy challenges inward investment decisions, with the EU's Digital Single Market agenda being a particular challenge – a clear policy direction will create confidence for companies to generate UK jobs. Meanwhile, ensuring that SEIS and EIS are accessible to fast-moving, innovative SMEs in the games sector will help these firms to access finance, growing companies and creating jobs in the various games hubs throughout the UK.

The UK competes not just with other countries but with regions and cities in other jurisdictions so further interventions to increase competitiveness as a location for games companies have the potential to repatriate these British-bred companies and talent. The government's moves to lower corporation tax are a positive step, as indeed they are for the British corporate sector as a whole. In association with the introduction of the VGTR, they provide an ever-more positive tax regime for the games sector, helping to reward British success, and attract further investment. This competitive advantage should be maintained.

Taxation and incentives

As noted earlier, the VGTR has been a major boon to the UK games sector, and although it has only been operational for a year, there are significant positive signs from the industry regarding the impact of this on growth. The incentive provides the underpinnings for sectoral growth on which this entire blueprint is built. As such, ensuring that the VGTR is maintained through EU State Aid renewal in 2017 is vital for the games industry.

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ACTION: The VGTR has been a welcome boon for the UK games sector, the government should make sure it remains attractive and competitive.
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Other elements of taxation policy are currently working less optimally for the games sector, in particular EIS and SEIS, which should see significantly more use than they currently do. This reflects the low asset cap for SEIS investments and the three year holding periods required of either scheme. The existing financing support programs are considered to be better suited to financing companies rather than projects. As a result, the recommendations in the Institute of Directors' recent report, *Opening the equity economy* - that the two schemes should be substantially reviewed, realising their potential for a broader range of SMEs, including those in games – should be taken forward.

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ACTION: HM Treasury should also build on the Institute of Directors' recent report on SEIS and EIS, reforming the vehicle to make it more appropriate for the games sector as well as for other SMEs.
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Like many of the technology industries, the games sector yields technology 'spill overs', which can benefit other sectors; these knowledge spill overs are encouraged in other sectors through the government's regime of R&D support.

As would be expected in a truly international sector, companies working in the games sector tend to have a relatively free choice in where to locate their operations, with macro-regulatory trends playing a large role in this decision. In recent years, many British-born and bred games entrepreneurs and talent have left the UK to operate in other jurisdictions, such as Canada, which offer competitive business incentives.

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I curated *Game On* in 2002, the success of which demonstrated the high level of public interest in the creative culture of games, the exhibition has toured internationally ever since

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**Conrad Bodman,
Head of International
Relationships:
Programme and
Archive, BFI**



Digital Single Market

The potential to create a truly single market of 560 million customers is a prize worth having. At the European level there is a significant policy discussion surrounding the completion of the Digital Single Market (DSM).

Effective access to this huge market is an important objective for the UK and its digital creative industries, but there are also significant risks in this project. The UK has the strongest digital and creative industries in Europe in part because of its stable and supportive regulatory regime. Building on this strength, rather than making widespread changes that threaten existing success, must be the UK government's priority. Changes to copyright, consumer rights, and child protection regulations all have the potential to create significant unintended consequences for industries like games that already operate on a successful and responsible cross-border model.

There is already an effective single digital market for games across Europe under the existing framework: it is imperative both for consumers and the European games sector that changes aimed at other sectors do not put this progress into reverse.

ACTION: The UK should take an active role in negotiations across the Digital Single Market portfolio to champion the digital creative industries in which it leads the continent. The strong, competitive market that already exists for games across the EU must be protected against unintended consequences from reforms to consumer law, copyright, geo-blocking and other areas.

Recommendation 5

Promote games-as-culture and celebrate cutting-edge British innovation

There exists a range of emerging technologies that will increasingly impact the sector – and others around it – which will become available to consumers and the industry over the course of this blueprint. These exist in parallel to trends in the games sector that are already impacting how the industry works.

Innovation

Virtual Reality technologies – exemplified by the forthcoming Oculus Rift, HTC Vive, and Sony's PlayStation VR – are a significant example of this. It is clear that not only will such technologies change the way games are played, but they will also impact on areas such as education, providing new ways to teach subjects including medicine and engineering. Ensuring that the UK gains the benefits of this will require close working between games companies – where much of the expertise to deploy such technologies lies – and academia.

The impact of other screen sectors on tourism is already well-known, and it is clear games is joining the more traditional industries in generating such beneficial outcomes where such eSports tournaments exist.

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ACTION: Examine how innovation incentives can be used in emerging High-Value Opportunities like virtual reality or eSports, to allow the UK to capture the financial and cultural benefits these will generate.
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Of course, it is not possible at this juncture to predict the impact that these technologies and trends will have on the UK sector, though it is clear that they will spur further economic development. As such, public bodies supporting the sector should continue to ensure their funding structures are available to companies working in these areas, maximising the chances of British firms leading the way in the exploitation of new technologies. In order to maximise these trends, though, Games Innovation Showcases should be used to link games into other sectors which can leverage the technology.

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ACTION: Hold Games Innovation Showcases across the country, demonstrating non-games applications of games tech to kick-start innovation and cross-sectoral communication.
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Cultural offerings

Cultural agencies such as the British Council are becoming involved with the games sector, and this provides a strong basis for the export of Britain's broad games heritage. Such an offer will provide a boost for the UK's games industry, as it taps into both the increased interest in games heritage worldwide – exemplified by the touring Game On exhibition, which was first organised by the Barbican Art Gallery – and the UK's excellent heritage in games development.

Archiving games

The archiving of games and the creative process in developing them would preserve their record of cultural contribution and act as a resource for future talent looking for inspiration and ideas. Such an approach would see games and equipment preserved, recognising the need to maintain technologies of both forms. Ensuring access to Britain's games heritage in the future will require modest investment now to preserve obsolete technologies, but this will have significant payoffs in the future as the remainder of the world increasingly recognises the cultural value of the industry.

This could be linked into the BBC's proposed *Ideas Service* – an online platform designed to link materials from national institutions including galleries, museums, and universities. This would have the value of ensuring access to this element of the UK's cultural history is broadly available to the public.

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ACTION: DCMS Create a single UK Games Archive, drawing together the various existing projects into a coherent whole. This UK Games Archive should be linked to the BBC's proposed *Ideas Service*.

