

Response to CMS Committee Survey for Minister Evidence Session 8th July

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Max 3000 characters per answer

1. What are the new benefits of the Sector Plan to the creative industries?

Ukie strongly supports and welcomes the UK Government's Creative Industries Sector Vision and its accompanying Sector Plan. For the first time, the UK video games industry is not treated as a footnote, but is instead rightly positioned as a strategic driver of growth, creativity, and innovation. The Plan not only provides meaningful financial backing for the industry but lays out a framework that recognises games as a central part of the UK's future as a global creative superpower.

The most headline-grabbing benefit is the £30 million Games Growth Package, delivered through an expanded UK Games Fund. This is a direct response to longstanding sector calls for scale-up funding, as first proposed in Ukie's 2023 Video Games Industry Manifesto. Spread over three years, this funding is vital for supporting new IP development, enabling early-stage studios to scale, and ensuring original UK-made content can reach international markets. Games studios, with the majority being SMEs, face unique challenges in accessing private finance due to a lack of tangible assets and non-linear revenue models. The Fund will address this critical issue, helping maintain UK ownership of IP and fostering long-term value creation.

The creation of a UK Video Games Council is a transformative policy development. For too long, the industry has lacked a dedicated institutional voice, with games sitting between screen industries, tech, and culture. This Council promises to align policy more directly with sector needs on everything from finance to skills and innovation, ensuring that we move from sporadic engagement to sustained partnership between Government and industry.

Beyond these sector-specific interventions, the video games industry also benefits from broader creative economy measures within the Plan. The British Business Bank's £4 billion in additional capital, paired with efforts to develop IP-backed lending frameworks, directly addresses a structural barrier to growth for creative industries. Video games IP is among the UK's most valuable and globally recognised. GTA, Tomb Raider, Sea of Thieves, and Football Manager are not just games but cultural exports. Yet, studios have long been underserved by traditional financial institutions. These reforms can help unlock investment that grows UK businesses rather than selling them overseas.

The Plan also confirms continued support for the London Games Festival, recognising its £30 million annual investment value and cultural significance. This boosts the UK's profile internationally and provides a platform for indies and SMEs to showcase their work and secure investment.

Additionally, the Plan makes a clear commitment to skills and talent, including a forthcoming industry-led Video Games Skills Strategy in 2025. With 29% of the UK games workforce originating from outside the UK, improving domestic skills pathways through technical education, apprenticeships, and visa reforms is critical. Proposals such as the Digital Creativity GCSE, greater investment in creative and technical subjects, and a reformed Global Talent Taskforce are all steps in the right direction.

Crucially, the plan places video games squarely in the emerging "Createch" space, at the intersection of technology, creativity, and storytelling. This is where the UK can lead globally. Video games not only entertain; they power breakthroughs in AI, VR, healthcare simulation, automotive design, and much more. Recognising this potential signals that Government understands the full value of our sector.

Ukie is very pleased with the Plan as it represents a new era for the UK's creative industries, with video games finally treated as a strategic, high-growth, high-impact sector. We thank Government for its ambition and engagement and look forward to working together to realise the full benefits of this strategy.

2. What is missing or lacking in the Sector Plan?

While Ukie welcomes the Creative Industries Sector Plan as a major step forward for the video games industry and the wider creative economy, there remain several areas where further work and commitment are needed to realise the full potential of the sector and secure long-term growth.

The Plan rightly mentions tax reliefs but stops short of detailing specific enhancements to the Video Games Expenditure Credit (VGEC). In a global context where Canada, Ireland, and others offer more generous and targeted reliefs, VGEC must evolve to remain competitive.

Ukie and its members have been urging Government to reform the VGEC to ensure the sector remains internationally competitive and continues to drive growth. Following an extensive piece of research with Nordicity, Ukie is calling for two key changes to the VGEC:

- A 'games growth' rate of 53% for projects with budgets of £10 million or lower, aimed at supporting smaller studios and encouraging creativity across the industry.

- An increase in the current relief rate to 39% for larger projects with budgets exceeding £10 million (Enhanced Relief) and removal of the 80% cap on qualifying expenditure that currently limits the support available.

These reforms would position the UK as having the most internationally competitive tax incentives for the video games industry, incentivising further investment while ensuring continued growth and sustainability.

The business case for reform is compelling:

- Additional GVA: After five years, the proposed changes would generate an additional £479m in Gross Value Added (GVA) annually.
- Job Creation: The changes are projected to support an additional 5,969 jobs in the UK.
- Return on Investment: The overall return on investment in this scenario would generate an additional £1.87 for every £1 in VGEC disbursements. This is on top of the current £3.20 return already being delivered.

While the VGEC has helped drive growth, developers still face challenges in accessing finance and investment, often relying on overseas equity or eventual sale to scale. Without reform, the UK risks becoming part of a wider ‘incubator economy’ where innovation and talent are developed here, but commercial value is captured elsewhere.

3. What engagement, if any, did the Department for Culture, Media and Sport and/or the Creative Industries Taskforce have with you on the development of the Sector Plan?

Ukie is grateful to the Department for Culture, Media and Sport (DCMS) and the Creative Industries Taskforce for their active and meaningful engagement with the video games industry during the development of the Creative Industries Sector Vision and Sector Plan. We appreciate the collaborative and consultative approach adopted throughout the process, which reflects the Government’s genuine desire to build a plan that works for all subsectors of the creative economy, including games.

Ukie has been involved in regular dialogue with DCMS officials and Ministers over the past two years, and we were pleased to contribute written evidence, research, and policy recommendations at several key stages in the Plan’s development. We shared our 2023 Video Games Industry Manifesto, which outlined sector priorities in access to finance, talent and skills, innovation, tax relief, and better data, all of which are now reflected in the final plan. The Manifesto has served as a clear articulation of what the industry needs to continue growing, and it is encouraging to see so many of our recommendations embedded within this strategic document.

We were also invited to participate in targeted stakeholder discussions hosted by DCMS and contributed insights on the barriers to growth for video games SMEs, including structural challenges around IP-backed lending, the need for international competitiveness of VGEC, and the importance of regional hubs in driving inclusive sector growth. Our team also engaged with officials from other departments such as HM Treasury, the Department for Business and Trade, and the British Business Bank, particularly on areas like finance reform, creative clusters and export potential.

It is clear that the Government has listened and responded in a serious and thoughtful way. The inclusion of a £30 million Games Growth Package, a dedicated UK Video Games Council, investment into the London Games Festival, and support for an industry-led Skills Strategy all reflect priorities that Ukie has long advocated for on behalf of our members. Importantly, these elements recognise both the commercial potential and the cultural importance of games.

However, we believe there is potential for greater coordination between Ukie and other departments, particularly between DCMS, DfE, DBT, and HM Treasury. Many of the industry's challenges, such as access to talent, visa costs, the need for a Digital Creativity GCSE, and long-term R&D support, cut across departmental lines. Ensuring the Sector Plan is delivered as a whole-of-Government strategy, rather than just a DCMS initiative, will be vital for long-term success.

4. What question would you like to ask the Government about the Creative Industries Sector Plan?

Ukie's central question to the Government is:

“We thank the Government for the recognition of games in the industrial strategy as a frontier industry. What is the timeline and process for reviewing and improving the Video Games Expenditure Credit (VGEC) to ensure that it remains globally competitive and continues to support the long-term growth and sustainability of the UK video games industry?”

The introduction of VGEC in 2024 was a welcome recognition of the video games sector as a key pillar of the UK's creative economy. Currently, VGEC is set at a headline rate of 34%, but with restrictions that result in a lower effective benefit than similar schemes in competitor markets such as Canada, France, or Ireland. For example, Canada offers generous provincial and federal incentives, often exceeding 50%. These markets are actively attracting inward investment and encouraging companies to scale domestically, posing a competitive threat to the UK's longstanding leadership in this space. As laid out in Ukie's research in question 2, the Government could enhance VGEC and provide a better business environment for games industry in the UK, all while retaining a more positive ROI.

