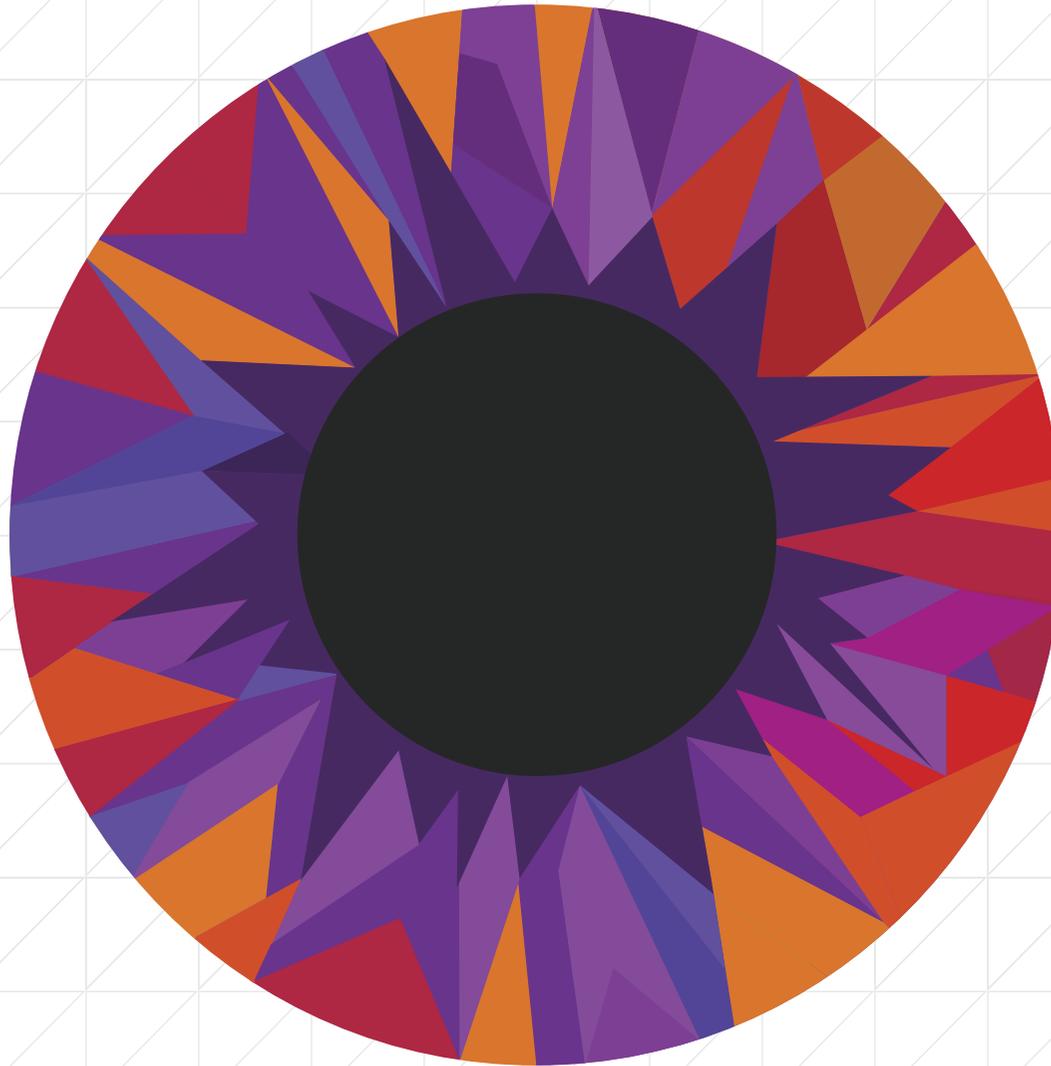


**ANIMATION UK
MANIFESTO:**



**A BLUEPRINT
FOR SECTOR
GROWTH**

Introduction

With its **£1.7 bn value** and just over **13,000 employees and freelancers**¹ the UK animation industry is a powerhouse of both creativity and economic potential. The sector is growing, and the global market opportunities are compelling. Known for its quality, humour, and inventiveness, the British animation industry develops content for film and TV, advertising and wider business sectors. Our iconic characters have become part of our national heritage, and are exported globally. Yet, it faces challenges, and underinvestment threatens to stifle its growth.

We have developed a strategic roadmap to boost our creative strengths, ensuring local and UK-wide growth. Our recommendations align with the sector's growth and job creation potential, and the Government's Industrial Strategy. We are not asking for handouts, but the adoption of these targeted policies will support our vibrant, competitive, and innovative UK animation industry that could double in size, job growth and output, significantly elevating the wider sector's value to over **£2bn**.

The recommendations will result in an increase in core workforce numbers, rising to **20,000+** professionals. This growth will bolster the industry and reflect a geographic diversity, with the majority of the expansion occurring outside the London and South East regions, ensuring a well-distributed, nationwide development of the animation sector.

These proposals however represent more than mere numbers; they are underpinned by creating high-quality content for arguably the most important UK audience, our young people, content that directly supports our cultural soft power and educational attainment. These proposals will not only position the animation sector as a world leader, but as an essential part of the wider TV and film sectors, which are, in turn, critical to delivering the growth projections and employment targets set out for the wider creative industries in the sector plan.

Kate O'Connor
Executive Chair
Animation UK

Over 800
companies
contributing
£1.3bn to the
GVA.



¹Mapping the presence of animation activity across the UK economy: Stage Two, BFI.

Executive Summary

The five proposals below offer a strategic and linked approach to fuel the growth of the UK animation industry. By focusing on competitive tax incentives, reversing PSB investment cuts, leveraging commercial opportunities and investment in IP linked to downstream revenue and investing in education and skills, we aim to not only safeguard the future of the UK animation sector, but also, to position it as a global leader in innovation and creativity. In each case, the recommendations minimise any direct contribution from the Government, and we have indicated a return on investment or an investment return on the intervention. Together, they will create a climate for growth.

01. Uplift Tax Incentives:

Increase the rate of AVEC incentive payable for all animation content to 39.75% net, driving growth in animation spending across both TV and film, resulting in an estimated 6,000 new jobs and a £500 million contribution to GVA, turning every £1 invested into £4.44 in return.

02. Reimagine Children's Public Service Media for a Digital Generation:

- Reverse the decline in Public Service spending by PSBs, fund kids proportionally to other genres.
- Reintroduce and pilot a revitalised Children's Content Fund for Public Service Entertainment and Educational content supported by private and public funding.
- Review the Public Service media to focus on access to high quality content, shown where the audience are watching.

03. Unlock Private Investment:

Review and update the EIS, SEIS, and Creative Patent box eligibility and private sector incentives to work for the animation sector and generate valuable UK IP. Support access to finance arrangements for the industry from equity to loans and cashflow arrangements linked to the Tax Credits through the British Business Bank.

04. Boost International Trade and Co-productions:

Significantly increase the UK Global Screen Fund as well as explore re-affiliation/associate membership with Creative Europe/Media to regain access to vital co-production funding and market access. Support companies in accessing and pitching at markets through a refreshed Trade Access Programme.

05. Supercharge Creative Education & Skills:

Refocus on arts based and creative education and support the range skills needed to place the UK as a world leader in digital production including AI, and business skills to navigate new business models.

Every £1 investment will generate a return of £4.44.



Our Recommendations in Full

01. Enhance our Competitive Edge Through Increased Tax Incentives Across all Formats:

CONTEXT: The AVEC reforms and uplift to animation TV and independent film are strongly welcomed steps forward. Yet, staying competitive demands more. While the 39.75% tax relief for independent animated features is a welcome and much-needed support, limiting this enhanced relief to feature films risks distorting the market, over-prioritising one format at the expense of others, and failing to reflect the way studios operate and compete internationally. The artificial separation in tax relief creates an imbalance, favouring feature films while leaving TV and streaming content—where much of the growth is happening—at a disadvantage. This fails to reflect the modern animation production model, where studios leverage IPs across multiple platforms. Other territories increasingly recognise the growth potential held by the animation sector and are providing competitive terms to attract international contracts and secure rights. This fiscal incentive is coupled with access to both private and public funding. We welcome the increase to the independent film tax relief rate which will boost our features production if harnessed by increased production spend from the BFI and unlocking incentives for distribution and making minor adjustments to the core spend eligibility criteria to reflect the animation business context. Independent evidence can be detailed in a fuller proposal underscoring that this is not a hand-out, nor a cost to Treasury and will support regional growth.

STRATEGY: Tax relief rates should be increased to 39.75% (net) for UK IP, aligning the tax relief across all animated output and aiming to double TV animation production spend within four years, creating 6,000 jobs and adding £500 million to the GVA.

In addition and in line with key competitors remove the current 80% cap on UK spend for co-productions and for animation review the definition of core spend to include development and marketing costs reflecting the higher and unique costs associated with animation development. We also fully support the proposals presented by the BFI to incentivise distribution.

ROI: Every £1 investment will generate a return of £4.44.³



02. Reverse the Decline in Public Service Broadcasting (PSB) Spend on UK Content and Increase Access to UK Content:

CONTEXT: A steep decline in UK-originated children's content by PSBs over 22 years highlights a market failure. Cuts in content (spend and hours) on traditional PSBs equate to an 80% decline, compared with a decrease in adult content spend of 10%. Whilst understanding the impact of commercial pressures, advertising regulation for young audiences and the new flexibilities embedded in the Media Bill, it is vital to both protect, but also, serve young audiences. We know the viewing habits of children have changed and that the majority now access content on unregulated platforms without commissioning structures and business models adequately supporting the content makers. Simultaneously, various studies underline the significance of such high-quality content that entertains and reflects societal values, resonates with UK children, and bolsters educational outcomes and supports well-being.

STRATEGY: In addition to reversing Public Service Broadcasting (PSB) decline in investment in children's content, it is essential to rethink the Public Service Media (PSM) system overall in relation to children's content. The focus should be on content creation, sustained growth, and a private-public partnership with a long-term vision. Drawing inspiration from international models, funding should be obtained through a mix of quotas, levies, and public financing. A strategic Children's Funding model should be piloted with the aim of being scalable, sustainable, accountable, and recuperable. Placing innovative funding approaches for high-quality UK content alongside a platform agnostic policy and innovative approaches to signalling this content will cater to evolving audience viewing preferences.

ROI: Significantly increased investment in kids content by PSBs and a pilot fund supported by cross-government departmental contributions, matched by broadcasters and streamers through increased PSB contributions will revolutionise the creation of and access to, high-quality content for UK children.

² For example: the Canary Islands all currently offer animation tax reliefs at 50%. ³ Based on data from 2019. Screen Business Report, BFI.

03. Leverage Private Investment in Content and Business Growth:

CONTEXT: Animation is distinctive among the screen sectors for the time it takes to develop, produce, and recoup a project. However, another distinguishing feature is the potential longtail of investment returns as animation productions continue to generate returns over a long period because a high proportion of returns are generated from additional revenue streams following the project's release - for example, from merchandising and licensing. Animated content also travels well and is highly exportable. However, current private investment schemes should be amended to unlock more investment in animation studios and their output.

STRATEGY: Further incentivise private sector tax investment in growth and extend the required holding periods for EIS and SEIS investments. This would encourage investors to stay invested for a more extended period, potentially increasing the chances of successful IP development. In addition, provide targeted guidance and support to companies engaged in IP development and use fiscal incentives to better support the animation sector, including developing standard methods for valuing IP and exploring links to a "creative" Patent Box and redefinition of eligibility. Alongside other sectors across the wider screen and Creative Industries we call for new and bespoke banking offers, potentially through the British Business Bank. Including specialist investors, suitable debt products, cashing flowing arrangements to support fiscal incentives, support for business scale as well as investment readiness. Provision of better suited private investment requires the explicit recognition that creation and protection of UK IP and rights is essential for growth and that wider AI policies and copyright must protect the rights holder and prevent any wholesale access to content without licensing and remuneration pathways.

ROI: 100% increase in private investment.



04. Renew EU Partnerships and Co-production Funding:

CONTEXT: The UK animation sector was once a clear beneficiary of European investment through Creative Europe/Media Funds, with networks to support co-production partnerships and opportunities to pitch projects to global commissioners and buyers. These opportunities no longer exist, and the animation sector now relies on alternative sources, like the much welcomed, but tiny UK Global Screen Fund. However, these funds neither match previous levels, nor promote commercially viable content, resulting in our stake in co-productions being minority rights holders.

STRATEGY: Public funds are currently geared toward subsidy, not commercial success and levels of funding need to be more adequate for securing co-production majority rights. Reviewing the focus for UK film funding to support more commercially orientated content, and increasing the UK Global Screen Funds should be considered to reflect the opportunities of IP development leverage public investment to enable UK production companies to secure majority co-production rights and convert this investment into long-term revenue and business growth. By investing in and preserving IP, the ripple effect will extend beyond pure sectoral growth; it will rejuvenate production companies across the UK, spur job creation nationwide, and bolster the broader film and TV sectors. We strongly support the BFI drive for re-affiliation with Creative Europe/Media to access partnership funding in parallel increase UK Global Screen Funding overall to leverage co-production opportunities.

ROI: Between 2014 and 2019, the UK received £100m investment in film and animation from the EU programmes. Invest to unlock funds, networks, and commissions.

The animation workforce is estimated to be just under 20,000, including both those directly employed and freelancers.

05. Achieve Parity in Creative Education and Invest in Future Skills:

CONTEXT: The current state of creative education is concerning, with it being increasingly devalued and underfunded in the public education system. Much like other creative sectors, the animation industry faces significant skills gaps and shortages at various levels and particularly at mid career level. Notably, animation skills are crucial and transferable across digital production and across the broader creative economy.

STRATEGY: Creative education should be given equal importance in the school curricula and during inspections, thereby preserving the significance of Arts and Humanities at all educational levels. To address the skills challenges in the sector, including AI training management and business development in addition to craft and technical and production skills, we propose a new partnership investment plan. This plan aims to bridge skills gaps and shortages at all levels, ultimately positioning the UK as a global leader in digital production., Strategic investment in the future facing skills and talent is imperative. Investments should involve collaboration between national and local governments and industry partners. We suggest a new approach to link employer skills contributions to tax relief and production-based training to boost employer investment in this plan.

ROI: By adopting this approach, we will significantly increase employer investment; we aim to create a £1m skills fund and work with partners to support and drive the UK's wider creative and digital production sectors.

63% of companies are based in hubs through the regions and nations of the UK, making it the most geographically diverse of the screen industries.

About Animation UK:

Animation UK provides the collective voice of the Animation sector, representing production companies, studios, distributors, and service providers.

Animation UK has highlighted the cross sector strengths of the Animation sector and worked on behalf of the children's animation industry to campaign for the introduction of Animation Tax Credit, which successfully came into force in early 2013. Animation UK will continue press for other economic and business policy changes and incentives to ensure the sector remains competitive. Animation UK also supports exporting activity and is working with all partners to develop a skills and talent pipeline.

Animation UK is a partner of the UK Screen Alliance, the trade body for VFX, Post Production and Studio services.

