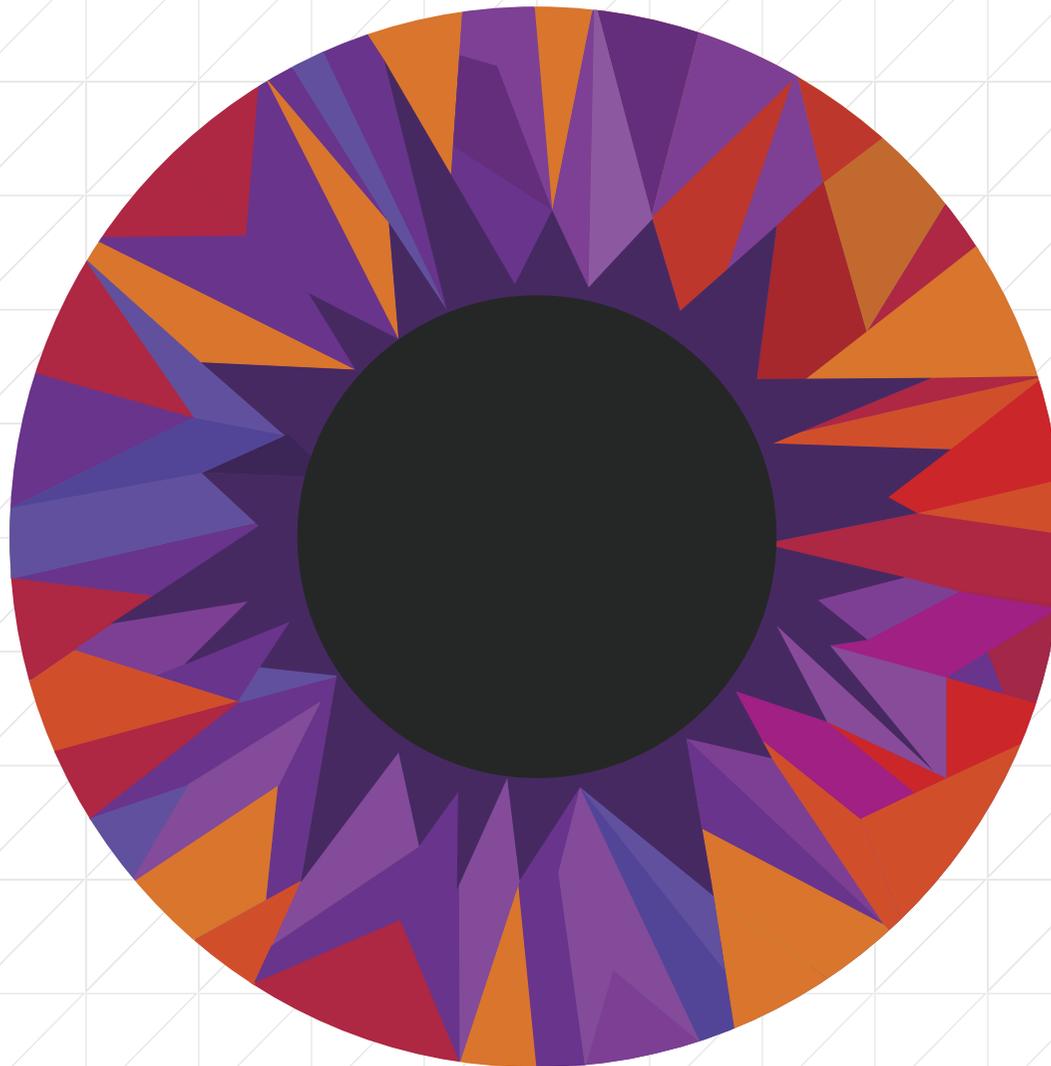


**ANIMATION UK  
MANIFESTO:**



**A BLUEPRINT  
FOR SECTOR  
GROWTH**

# Introduction

With its **£1.3 bn value** and just under **20,000 employees and freelances**,<sup>1</sup> 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, and the iconic characters have become part of our national heritage and are exported globally. Yet, it faces challenges: underinvestment threatens to stifle its growth.

We have developed a strategic roadmap to leverage our creative strengths, ensuring local and UK-wide growth. Our recommendations align with the sector's growth and job creation potential, setting the stage for the UK to lead globally in animation. We are not asking for handouts, but 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 **£2.6bn**.

The recommendations will result in an increase in core workforce numbers, rising **30,000 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 vision.

**Kate O'Connor**  
Executive Chair  
Animation UK

Over 800  
companies  
contributing  
£1.3bn to the  
GVA.



<sup>1</sup> In 2019, the total GVA contribution (including direct, indirect and induced effects) of 2,173\* core animation companies and high animation intensity companies to the UK economy amounted to £1.7bn and they supported 16,600 FTE jobs, along with 11,600 directly employed FTE freelance staff. (Statistics from the 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 the AVEC incentive payable for animation content to 37% net, driving growth in animation spending across TV and film and inward investment, resulting in 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, raising £100 million.
- Reintroduce a revitalised £100m Children's Content Fund for Public Service 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 patent box eligibility and private sector incentives to work for the animation sector and generate valuable IP.

## 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.

## 05. Supercharge Creative Education & Skills:

Refocus on arts based and creative education and support the skills needed to place the UK as a world leader in digital production.

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



# Our Recommendations in Full

## 01. Enhance our Competitive Edge Through Increased Tax Incentives:

**CONTEXT:** The AVEC reforms and uplift to animation TV and independent film are strongly welcomed steps forward. Yet, staying competitive demands more. Commissions are secured on the combination of creative content, skills and talent, but also, critically on value for money and the tax incentives. Other territories increasingly recognise the growth potential held by the animation sector<sup>2</sup> and are providing competitive terms to attract international contracts and secure rights. We welcome the recently announced increase to the independent film tax relief rate and have presented a more detailed proposal presenting an evidenced case for uplifting the animation tax reliefs overall across film and TV, which will boost growth and jobs. Independent evidence detailed in our fuller proposal underscores 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 37% aiming to double TV animation production spend within four years, creating 6,000 jobs and adding £500 million to the GVA.

**ROI:** Every £1 investment will generate a return of £4.44.



## 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. 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) 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 scalable, sustainable, accountable, and recuperable. Placing innovative funding approaches for high-quality UK content alongside a platform agnostic policy will cater to evolving audience viewing preferences.

**ROI:** Significantly increased investment in Kids content by PSBs and a further £100m 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.

<sup>2</sup> For example, Ireland, France, and the Canary Islands all currently offer animation tax reliefs ranging between 37% and 50%.

### 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 Patent Box eligibility.

**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 and increasing the UK Global Screen Funds should be undertaken 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 advocate for re-affiliation with Creative Europe/Media as an associate member to access partnership funding and 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. 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 crisis, 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 part of the UK Screen Alliance, the trade body for Animation, VFX, Post Production and Studio services.

