

# CASE STUDY: INWARD INVESTMENT

## **Inward Investment: UK's Film, TV and Video Games Sector.**

The UK's inward investment Film and High-end Television (HETV) production sector has been experiencing substantial growth over the last five years. More content is being commissioned than ever, with a clear trajectory of growth forecast for screen content production in the UK in coming years.

In 2021, film and high-end television production spend in the UK reached over £5.64 billion – a new record and far ahead of pre-pandemic production levels (BFI). Inward investment spend on Film and High-end TV in the UK topped £4.713 billion in 2021. This represents double the levels reached in 2020, and equates to 84% of the UK total film and HETV spend. Of that, Film reached £1,275.5 billion, and HETV & co-production reached £3.438 billion, the latter representing a 180% increase on last year's figures.

The UK video games industry has also experienced phenomenal growth over recent years. In 2021, the video games market recorded a record high of £7.16 billion

– an increase of 2% on 2020, and a 32% increase compared with 2019 (UKie). While no direct comparators for inward investment spend are available, other measures for spend on video games in the UK provide a sense of the inward investment value of the sector. In 2019, the total UK spend/turnover related to direct impact of video games development in the UK was £2.77 billion. Looking specifically at M&A activity as a proxy for inward investment spend, 2021 saw £1.9 billion in M&A inward investment alone.

## **Longer term investments in infrastructure**

Alongside a rapid growth in inward investment production in the UK is a marked and significant increase in investment in the physical infrastructure required to support production.

Private sector inward investment in new and expanded studio & stage space facilities has risen substantially, with the UK on track to nearly double its available stage space in the next three years. In addition, studios and streamers are investing in multi-year leases on studio and stage space, demonstrating

a longer term commitment to the UK not previously evidenced. Examples here include Sky parent company ComCast's substantial investment in the state-of-the-art Sky Studios Elstree site. Sky Studios Elstree will enable £3 billion worth of new production investment over the first five years alone, becoming home to a host of Sky Originals, as well as major film productions from Universal Pictures, Focus Features and Working Title, and television series from Universal International Studios.

## **The Inward Investment production sector's role in 'levelling up' across the UK**

This recent growth has provided an important opportunity to spread the benefits more widely across the UK. Indeed, the screen sector is placing a strong focus on growing film and HETV/streamer spend across the UK's nations and regions. For example, the latest BFI 2021 Screen business report covering 2017–2019 evidences this increase in HETV Production spend, demonstrating a substantial increase – £1,226 million HETV spend in 2017 to £2,078 million in 2019 – in two years.

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**Source: BFI 2021 Screen Business Report, HETV Production Spend 2017–2019 – Table 79, Olsberg/SPI/Nordicity estimates.**

Recent major inward investment productions include:

- Scotland: Outlander, 1917, The Batman
- Northern Ireland: Game of Thrones, The Northman, Belfast
- Wales: Sex Education, His Dark Materials
- England: Black Widow, Bridgerton, Small Axe, The Batman, Last Night in Soho

## **Interventions which have supported the UK's inward investment film, HETV and video games sectors**

While demand for screen content has soared globally – a situation augmented but not caused by the coronavirus pandemic – the UK industry (through agencies such as the BFI, British Film Commission and leading industry organisations) has also made a number of interventions in previous years that have helped position us well to capitalise on this boom.

Chief amongst these were the introduction of the film tax relief in 2007, a new HETV tax credit in 2013, and further changes to the HETV credit in 2016/17, and the video games tax relief, which came into effect in 2014.

These tax reliefs contributed £13.48 billion to UK economy in 2019 (BFI). Indeed, for every £1 of U.K. film tax relief claimed, £8.30 is generated for the UK economy; the HETV tax relief generates £6.44 additional GVA; animation tax relief generates £4.53 additional GVA; children's television tax relief generates £3.20 additional GVA; and video games tax relief generates £1.72 GVA.

In addition, support for agencies such as the British Film Commission (BFC), focused on attracting and supporting inward investment into the UK, has also proved essential to UK success in this sector. In particular, the confidential research commissioned by Government and undertaken by the BFC and partners to understand the potential economic opportunity and growth in inward investment production demand in future years, and the conditions needed to ensure this, was essential. It led to gaining

wider Governmental support and funding necessary to secure the inward investment in 2020, the results of which are clearly evidenced in the earlier statistics in this paper.

## **Recommended next steps to maximise inward investment opportunities from other creative industry sectors**

The UK's screen sectors have benefitted from inward investment due to the combination of Government and industry focus and funding, in part based on confidential and thorough primary research.

It is therefore recommended that equivalent primary research into the inward investment potential of the UK's other leading creative sectors is conducted, to provide a comprehensive and compelling case for further focus and analysis of the potential economic returns possible in these individual sectors.

While investment in screen content continues to rise year on year, global competition from other territories also increases. The inward

investment committed is for a longer-term period, but it is not guaranteed to remain in the UK, so we should not be complacent. The one area proving the biggest block on growth, across all our creative sectors, is skills. It is also recommended that this area is addressed as a matter of urgency, with all relevant Government departments involved, to ensure a joined up, cross-cutting and practicable solution is identified.