

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD1412

### Title: Games Inward Investment Programme

#### Executive Summary:

The time is right for growing the games sector in London. The capital has a strong USP: its convergence in film, VFX, TV and digital. With the help of mayoral investment in the creative industries, London has built its reputation and capacity as the world leader in visual effects, the third biggest centre for film production, one of the 'Big Four' fashion centres, and the world's design capital. Public intervention can address co-ordination failures which are common across the creative industries ensuring that London does not miss the opportunity for games. The London Enterprise Panel has endorsed a proposal to support the games sector.

#### Decision:

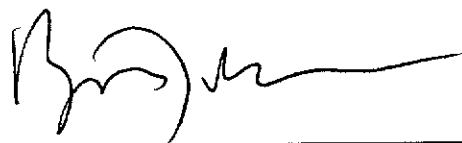
That the Mayor approves the allocation of three years of revenue funding (£166,000 in 2015-16, £492,000 in 2016-17 and £542,000 in 2017-18) from the Growing Places Fund for a three year investment programme to the games sector in London to realise its potential (maximum of £1,200,000 over three years), subject to entering in to commitments per paragraph 5.1.

#### Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date: 5.1.2015

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1) Introduction and background**

- 1.1 This year, the global games market is forecast to generate \$81 billion, up 7.8% on 2013, and is expected to grow to \$102 billion by 2017. With increased competition from Asia (Korea and Japan), established markets such as the US, and territories such as Canada which offer competitive fiscal incentives, the UK's position within this market has fallen from third to fifth place.
- 1.2 The UK sector is estimated to have a GVA as high as £1.72 billion (NESTA 2014). In April, the Government introduced a new Games Tax Relief which is expected to create 2,000 jobs and £188m in extra investment for UK games studios over the next five years. Since fewer than 30% of UK games businesses are located in London, the capital faces strong competition for this investment from games clusters in the UK such as Edinburgh and Brighton. London's games businesses face a number of barriers to achieving growth including scale (95% are SMEs), lack of profile, and limited capacity from industry to co-ordinate business support.
- 1.3 London has a strong international reputation as a global centre for creative business. One in six jobs in the capital is in the creative economy. London currently accounts for 24% of British jobs in computer and related activities and 22% of telecommunications jobs. The creative industries are now the second fastest growing sector in the UK, and the games sector is growing at the fastest rate of any creative industry. London's creative arts universities, institutions such as the Royal Academy of Arts and the BBC, access to finance and historic openness to talent from across the world mean that the conditions are in place to support the growing games sector.
- 1.4 In April, the Government introduced a new tax relief aimed at growing games production across the UK. Over the next five years, the Games Tax Relief is expected to create 2,000 games development jobs and £188m in extra investment for UK games studios. By comparison, the Film Tax Relief – introduced in 2007 – is estimated to have increased UK film production by 75%. Since 70% of the UK's film industry is located in the capital, the majority of this growth has been driven – with the Mayor's support – towards London-based film businesses.
- 1.5 Unlike film, fewer than 30% of UK games businesses are located in London. The capital faces strong competition for the extra investment from games clusters in the UK like Edinburgh and Brighton. With increased competition from Asia (Korea and Japan), established markets such as the US, and territories such as Canada which offer competitive fiscal incentives, London's position within this market has fallen from third to fifth place.
- 1.6 A number of barriers are holding back the games sector:
  - problems of size and scale (95% are micro or small businesses) with the related issue of accessing finance to scale up.
  - lack of profile and visibility to international investors. 23% of games businesses only came into being in the last two years. There are no formal networking events in London for games businesses and investors. However these are emerging overseas.
  - skills shortages. This is particularly evident in coding and programming, an issue the Mayor is addressing through the Schools Excellence Fund. There are few visible talent pathways between schools, colleges and the industry. The sector does not have an established apprenticeships/traineeships programme. Visas can also be a barrier to bringing in expertise from overseas.
  - There is limited capacity from industry to co-ordinate business support and limited government support to promote the tax relief and guide businesses through the process.
- 1.7 The GLA has worked with the sector over the past twelve months to explore the feasibility of a targeted programme for activating the tax relief and growing the games sector in London. The GLA

has worked closely with UK Interactive Entertainment (UKIE), one of the industry trade bodies to seek the views of the industry and through independent research has engaged with small, medium and large businesses from across the games sector.

- 1.8 Public investment over three years will deliver a targeted inward investment programme to activate the tax relief for London, stimulate overseas demand and boost production. Year-long programmes would comprise: (i) targeted overseas trade missions, (ii) a major B2B event, (iii) a wider trade and consumer festival and (iv) follow up activity including dedicated year round support for games businesses looking to invest or work in London. This will help deliver both the Mayor's Cultural and Economic strategies.
- 1.9 This programme will have the additional benefit of acting as a springboard for re-launching the London Games Festival in 2016 as a major annual trade and consumer event for the games sector. The London Games Festival has been on hiatus since 2012. Independent research confirms that the games industry would like it to return but with a grander vision and greater impact in order to achieve the necessary media cut-through that will attract international investors and grow London's global standing.

## 2) Objectives and expected outcomes

Objective 1:	To deliver incremental revenue of at least £35 million for games businesses		
Measurable benefits and key outputs (including jobs):	1	Numbers of games businesses targeted/benefiting	TBC/Annual
	2	Number of trade events	6
	3	Total value of sales made as a result of the festival	£35m
Non measurable benefits:	Better understanding of both cultural and economic value of the games industry; increase in collaborations between games organisations, artists and cultural organisations		
Objective 2:	To build London's reputation as the 'capital of games'		
Measurable benefits and key outputs (including jobs):	1	Year on year increases in audience figures / number of businesses participating / number of events	Annual
	2	Press AVE / social media	Annual
	3	Wider economic value to London economy (e.g. hotels, hospitality sector)	Year 3
Non measurable benefits:	London builds its reputation as a 'capital of content' as set out in Mayor's 2020 Vision. BAFTA has indicated that it is interested in running the BAFTA Games Awards under the umbrella of a new London Games Festival.		
Objective 3 (if required):	To generate an additional £9.8 million in GVA for the London economy, including the creation of 280 FTE.		
Measurable benefits and key outputs (including jobs):	1	Number of jobs created	Annual
	2	Increase in GVA	Annual
	3		Annual
Non measurable benefits:	Opportunity to link the London Games Festival with the wider skills and apprenticeships agenda e.g. exploring possibility of skills fairs and events in Years 2 and 3. UKIE and TIGA already do a lot of skills work so this is likely to be achievable.		

## 3) Equality comments

- 3.1 A key aim for the programme is to improve talent pathways for young people into the industry. Research indicates that the London Games Festival will work best when it reaches as wide a range of consumers as possible and raises awareness of the attractiveness of games as a viable jobs market for a wide range of young people. More detailed audience development and consumer research which

takes into account those with protected characteristics will need to be built into the delivery programme.

It is expected that projects that receive funding from the GLA will be able to demonstrate the steps that they are taking to ensure equality of access. Equally, we should focus resources on those groups in London currently showing low levels of participation. These measures will ensure that disparities in participation are reduced. Participation will be measured in the first year of delivery in order to provide a benchmark for measures aimed at increasing access in the second.

#### **4) Other considerations**

- 4.1 Total costs for delivering an inward investment programme are estimated to be £1.2m to £1.5m per year. The GLA would contribute approximately one-third of the operating costs, with other public and private sector sources contributing the balance. The project has so far secured £1.2m in in-kind private sector sponsorship.
- 4.2 Growing Places funding is requested as non-repayable grant funding in the first three years, to enable the London Games Festival to get off the ground, build its media profile and develop an attractive sponsorship package for private sector investors. A key objective will be to reduce public investment over time and replace this with sponsorship, a model which has worked successfully with London Fashion Week. Accordingly, the budget provides for a dedicated Sponsorship and Sales resource who will target potential sponsors and raise income in 2016 and 2017.
- 4.3 A key component of the inward investment programme will be the Business to Business (B2B) event, delivered in partnership with Film London and modelled on the successful film Production Finance Market which has a track record of delivering at least £3m of new inward investment each October. The games B2B event will be supported by a year round programme of trade missions and familiarisation trips delivered by London & Partners, Film London and UKIE. Together they are expected to deliver an increase to London games companies' turnover of 3%, or £35m.
- 4.4 The games festival is forecast to generate £7m in tourism spending for the London economy between 2016 and 2018 and generate an additional £9.8m in GVA for the London economy, including the creation of 280 FTE. These benefits would be *additional* to those already identified for the tax relief.
- 4.5 A fiscal breakeven will be reached with 18,000 incremental attendees. Any tourism, commissions/consumer sales or inward investment impacts above these 18,000 attendees will result in a surplus. Since July, a number of partners with a proven track record in delivering high profile games events have signed up to be part of the games festival. Partnering with these events will increase footfall to the wider festival and give the festival access to extensive branding and marketing opportunities. This significantly reduces the risk that the festival will fail to achieve its visitor targets, making a fiscal breakeven much more likely.
- 4.6 Through the festival, the inward investment programme will also achieve a positive wider impact for the science and tech sectors. The festival programme will actively engage the cohort of 400 London schools currently participating in the computer science coding and programming Schools Excellence projects. This will aim to build better links between schools and the sector with a range of skills and education events, offering the chance to fold in science, edtech, engineering etc to the London Games Festival programme.

#### **Risks and Issues**

- 4.7 There is a risk of the festival not being sufficiently consumer facing or ambitious to really 'take off' in the same way as London Fashion Week or London Design Festival. There is strong industry appetite for a more ambitious festival that has a strong consumer element.

- 4.8 Technically the project is scalable, however in reality scaled back investment would not be cost effective or desirable. The London Games Festival needs to be high quality from Year One in order to achieve media cut through, establish a positive international reputation, and become an attractive proposition for sponsors. If funding is scaled back, the festival will inevitably be too small in scale or too low in quality to lever in private investment.
- 4.9 GLA Culture and Business teams will need to work together, and with external partners, to ensure the festival delivers the right consumer, cultural and economic elements that will make it an attractive proposition to sponsors and consumers.
- 4.10 The budget provides for a dedicated Sponsorship and Sales resource who will target potential sponsors and raise income in 2016 and 2017. Increasing the proportion of private income will expose the project to less risk in the future, where public funding may not be available.

## **5) Financial Comments**

- 5.1 There is headroom within the revenue element of the Growing Places Fund (GPF) budget for £1.2 million for this proposal. However, this is dependent on the costs of an existing GPF project being fully funded from GPF capital. Should it be necessary to charge costs to the revenue budget for that project (confirmation of which is expected to be known in March 2015), it would only then be possible to fund the 2015-16 costs of the Games Inward Investment Programme. Therefore only the grant request of £166,000 for 2015-16 can be committed at this stage.
- 5.2 Since the proposal was first made, third party contributions of £1.2 million have been confirmed. Subject to the total amount of GPF funding being available, the financial risk from lack of third party funding is therefore reduced. There is still a longer term risk to the Festival becoming self-sustaining when the GPF funding ends unless this external funding can be maintained.

## **6) Legal Comments**

### Power to Undertake the Requested Decision

- 6.1 Under section 30 of the Greater London Authority Act 1999 (the 'Act') the mayor, acting on behalf of the GLA, is entitled to do anything that he considers will further the promotion, within Greater London, of economic development and wealth creation, social development and the improvement of the environment.
- 6.2 Furthermore, section 34 of the Act allows the GLA, acting by the mayor, to do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of any functions of the GLA exercisable by the mayor. In the instant case, the officers have requested the mayor to approve the allocation of £1.2 million from the Growing Places Fund for a games inward investment programme to support the video games industry in Greater London. To this end, the mayor's approval of the requested allocation of the budget may be viewed as being calculated to facilitate and conducive and incidental to economic development and wealth creation in Greater London.
- 6.3 The officers must ensure that the funds be applied in accordance with the requirements of the GLA's Contracts and Funding Code (the "Code"). Amongst other things, any funding must be distributed fairly, transparently and in accordance with the GLA's obligations regarding equality of opportunities (section 6.4 of the Code). Furthermore, the officers' attention is drawn to the requirements for procurements, which are set out in section 4.1 of the Code.

## **7) Investment & Performance Board**

- 7.1 IPB approved in October 2014.
- 7.2 The Board requested that targets be clarified as to whether they would be additional to the benefits expected from the UK tax relief. This MD clarifies that they are. London is expected to benefit up to 30% of the 2,000 games jobs and £188m extra investment for Games studios which the tax relief is expected to create across the UK over five years (in proportion to London's representation). In addition, the activity funded by GPF will generate an additional £9.8m GVA for London, and 280 jobs over the next three years.
- 7.3 The Board's approval of the funding for years 2016-17 and 2017-18 is conditional on the revenue funds being available within the GPF at that time.

## **8. Planned delivery approach and next steps**

The project will be delivered through a partnership between London & Partners, Film London and UK Interactive Entertainment Association.

<b>Activity</b>	<b>Timeline</b>
Grant agreement	Jan 2015
Announcement	Jan 2015
Delivery Start Date	Jan 2015
First B2B event and trade missions	March 2015
Final evaluation start and finish (external)	December 2015, 2016, 2017
Delivery End Date	December 2017
Project Closure:	December 2017

## **Appendices and supporting papers:**

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

**Part 1 Deferral:**

**Is the publication of Part 1 of this approval to be deferred? YES**

If YES, for what reason:

Commercially sensitive until key private sector partners have confirmed their involvement.

Until what date: (a date is required if deferring) 31 January 2015

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form – NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to  
confirm the  
following (✓)

**Drafting officer:**

Adam Cooper has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

**Assistant Director/Head of Service:**

Amanda Coyle has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Sponsoring Director:**

Jeff Jacobs has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

Munira Mirza has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

**Signature**

*M. D. Ollé*

**Date**

*23.12.14*

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

**Signature**

*Approved electronically by  
Edward Lister.*

**Date**

*24/12/14*

