

# GREATER **LONDON** AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2261

### **Title: Games London Inward Investment Programme**

#### **Executive Summary:**

In January 2015, MD1412 approved funding of £1.2m from 2015-16 to 2017-18 for the capital's first ever strategic investment programme for the games industry. The investment programme has been a great success and is on course to exceed its inward investment target of attracting £35m of new investment into video games, as well as successfully re-launching the annual London Games Festival.

This decision seeks approval for a further three years of investment which is expected to attract a further estimated £35m of inward investment. It will also enable the London Games Festival to grow and build a stronger reputation amongst Londoners and overseas, aiming to develop a profile equivalent to London Fashion Week or London Design Week. It will enable the programme to support growing sub-sectors like immersive technologies and esports, deliver a programme to support BAME artists, and invest in wider business to business activity.

#### **Decision:**

That the Mayor approves the following:

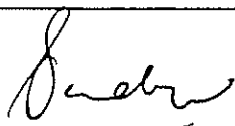
- Revenue contributions of £385,000 in 2018-19, £385,000 in 2019-20 and £430,000 in 2020-21 for a three-year investment programme to the games sector in London, via the entry into a grant funding agreement with Film London to manage the activity.

#### **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:**

21/11/17

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

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

#### **1. Introduction and background**

- 1.1. MD1412 previously approved the allocation of up to £1,200,000 from the Growing Places Fund between 2015-16 and 2017-18 to deliver a three-year investment programme to the games sector in London. This investment enabled the founding of Games London, a three-year initiative to boost investment and skills in the capital, delivered by Ukie and Film London. The goal of Games London is to make London the games capital of the world.
- 1.2. In April 2014, the Government introduced new Video Games Tax Relief (VGTR) aimed at growing game production across the UK and redressing some of the market distortion caused by overseas competition. To date, a total of 295 video game productions have claimed the relief, supporting over £690 million of UK expenditure. Until MD1412 provided the Growing Places funding, London did not have an official strategy to promote this competitive advantage to the world or encourage more companies to take advantage of the tax reliefs.
- 1.3. Furthermore, prior to MD1412 the games sector faced a number of coordination weaknesses to promote the capital's (and the UK's) games sector globally: attempts to create programmes that explored access to finance were themselves unfunded, and previous attempts at festivals in London or other regions for games did not achieve their goals or were not targeted at the international marketplace.
- 1.4. At the end of its first three years of activity, the Games London Programme is on course to generate more than £35m worth of business for London games companies as well as £3.9m Gross Value Added (GVA), and 127 fulltime employment jobs, all of which would not otherwise have existed.
- 1.5. The global games audience is growing ahead of forecast, with the global software market expected to be worth \$116 billion in 2017, growing to \$143.5 billion by the end of 2020. Approximately 32.4m people in the UK play games and UK consumer spend on games was valued at a record £4.33bn in 2016. As of January 2018, there are 2,255 active UK games companies. UK games companies attract world-class talent across the full spectrum of games technologies – from mobile, PC and console, to fast-developing sectors such as immersive technology (virtual and augmented reality), esports and artificial intelligence. According to the most recent research for the British Film Institute, taking account of the total economic contribution, UK-made video games in 2013 supported 23,900 full time jobs, generated £1.4 billion in GVA, and contributed £429 million of tax returns to the Exchequer.
- 1.6. London is the UK's largest games cluster with 650 companies based in the city. But this is less than 30% of the total number of UK games businesses. The capital still faces strong competition from other games clusters in the UK. While both the UK market and global games market are growing, competition between regions is fierce. The UK was the 5th largest video game market in 2017 in terms of consumer revenues, but behind China, USA, Japan and Germany. Growth in the market has increased competition between both established territories such as the US and ascendant ones in Asia.
- 1.7. In Europe, city competition has also increased in light of Brexit, with Berlin, Barcelona and Amsterdam, for example, all increasing their focus on enticing and targeting new games businesses with incentives and support. On a global level, territories such as Canada offer competitive incentives to games producers.

- 1.8. The Games London Programme has sought to help studios overcome the key barriers that hold back the games sector by helping games companies scale up via access to finance, increasing the profile of the sector to international investors, and delivering new skills training.
- 1.9. The added industry capacity created via the Programme has enabled the establishment of a new formal networking event in London for games businesses and investors, re-launch the London Games Festival, and run a series of successful inbound and outbound trade missions. This work has secured investment into companies that would otherwise have not been secured if the Games London Programme did not exist. Key aspects and results of this activity include:
- Games Finance Market. This business to business event has already supported over 150 businesses, generating over 1,000 leads. (2016: 23 games studio companies represented, 27 investors attending, 389 leads generated; 2017: 57 games studio companies represented, 45 investors attending, 902 leads generated). Potential business from the 2017 market is valued at £19m. A supporting Pitch Bootcamp training event has also been developed that helps games companies refine their investor engagement skills and improve their chances of turning the investor leads into direct investment.
  - London Games Festival. The 2016 festival secured a total audience of 36,000 and the 2017 festival increased to over 50,000. 80% of attendees were consumers and 20% were businesses.
  - Trade missions. The Games London Programme has run eight trade missions: three inbound and five outbound missions. The inbound missions have sought to grow the reputation of London to investors. The outbound missions have focused on promoting the Games London Programme abroad and taking London games outside of the UK. The outbound mission in December 2016 took nine companies to Helsinki and was hugely successful - one company secured an investment worth \$10m.
  - Media impact and media value has been significant for the Games London Programme. Collectively, the Games London's Programme (including two festivals) has amassed 300 press clippings with a circulation of 14 million. Total social media impressions were 57.5m. Yearly added value of the press activity at the end of the three years should exceed the £3m per annum target set in 2015.
- 1.10. The Games London Programme has addressed key co-ordination failures that the games industry faced prior to the 2015-18 agreement by establishing new and strategic programme that otherwise would not have taken place. It has proven to be highly effective in terms of activity created, investment encouraged and value for money in its first two years and has attracted international investors to the capital. This backdrop to the Games London Programme's first two years highlights the importance of its work and why it should continue past the final year of its 2015-18 funding agreement.

## **2. Objectives and expected outcomes**

- 2.1 Film London will receive grant funding totalling £1.2m over three years as follow; £385,000 in 2018-19, £385,000 in 2019-20 and £430,000 in 2020-21 for a three year investment programme specifically into the games sector in London.
- 2.2 The main objectives and expected outcomes of this investment programme will be to deliver incremental revenue for games businesses and sector, to build London's reputation as the 'capital for games' and to generate GVA and employment growth for London's games sector. Full details of the objectives and expected outcomes are detailed in the table below:

|                                     |  |   |                        |
|-------------------------------------|--|---|------------------------|
| <b>Objective 1:</b>                 | <b>To deliver incremental revenue of £35m for games businesses</b>   |   |                        |
| Measurable benefits and key outputs | 1  | Number of games businesses targeted/benefiting  | 100 per year           |
|                                     | 2  | Number of trade events  | 6 minimum (2 per year) |
|                                     | 3  | Total value of additional revenue as a result of trade and festival activity                                      | £35m                   |
| Non-measurable benefits             | Increase in the cultural and economic value of the games industry; increase in collaborations between games organisations, artists, and cultural organisations   |   |                        |
| <b>Objective 2:</b>                 | <b>To build London's reputation as the 'capital for games'</b>   |   |                        |
| Measurable benefits and key outputs | 1  | Year on year increases in audience figures / number of businesses participating / number of events                | Annual                 |
|                                     | 2  | Press value / Social media / Media impact increases   | Annual                 |
|                                     | 3  | Wider economic value to London economy (e.g. hotels, hospitality sector, increased impact of partner events, etc) | Annual                 |
| Non-measurable benefits             | London continues to grow its reputation as the 'capital for games'; a wider pool of events and partners ensures new audiences are connected with games across the city   |   |                        |
| <b>Objective 3:</b>                 | <b>To generate an additional £9.8m in GVA for the London economy, including the creation of 280 FTE</b>  |   |                        |
| Measurable benefits and key outputs | 1  | Number of jobs created  | 280 over three years   |
|                                     | 2  | Increase in GVA   | £9.8m over three years |
|                                     |  |   |                        |
| Non-measurable benefits             | Games London's training focuses on increasing the business knowledge of new London and UK games start ups; opportunity to feed into other Mayoral and national skills plans; wider festival programme has added impact for hospitality Sector. |   |                        |

### 3. Equality comments

- 3.1 Under Section 149 of the Equality Act 2010, as a public authority, the Mayor of London must have 'due regard' of the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not.
- 3.2 The demographic of people playing games is itself very broad, so any activity in this sector will reach a wide and diverse audience. 57% of players in the UK are male and 43% female. The largest single age/gender demographic is 15-24-year-old males, but that is just 16% of all total players.
- 3.3 Future programming plans for the Games London and London Games Festival business to business and cultural activity in 2018 and beyond include bursaries or access programmes for those from low-income backgrounds and establishing a new exhibition focusing on BAME artists in games. It will shine a spotlight on the work of BAME artists and encourage more BAME artists to enter the industry.
- 3.4 The BAME exhibition will be piloted during the 2018 festival with a corporate sponsor, with plans to take it on a national tour and then potentially to global sites, with a view to making it an annual strand of the festival's cultural programming.
- 3.5 In 2016 the Festival also established its W.IN (Women In) event that focuses on mentoring and skills for women working in the games sector. In-kind and corporate partners are interested in turning this

into a quarterly programme after 2018. In 2018 this will also contribute to #BehindEveryGreatCity, the Mayor's campaign for gender equality during the centenary of women securing the right to vote.

- 3.6 The exhibition and festival will be delivered in a manner that is accessible for all, and is inclusive of people of all backgrounds. The GLA will ensure that Film London have an equalities policy in place that will take account of individual needs and ensuring access for all to attend the Business to Business activity and any exhibitions or festivals that are delivered as part of this grant funding.

#### **4. Other considerations**

- 4.1 Over its first three years, the Games London's Programme £1.2m funding will be matched with £1.2m of in-kind support. It has also been underpinned with private corporate sponsorship, ticket sales and match funding. The Games London Programme has also engaged larger institutions and bodies such as BAFTA, British Council, Museum of London, Skillset, the BFI, V&A, Somerset House, Arts Council England and City of London Corporation to contribute to the programme.
- 4.2 Funding to Games London has had a multiplier effect – either in creative activity generating valuable cultural content and/or commercial support. Games London's funding of *Now Play This* has been matched by Arts Council England. Major industry events such as BAFTA Games Awards and EGX Rezzed have moved their schedules to align with the London Games Festival. The London Games Festival's own line of unique and sponsored summits, conference for women, and leaders network have built a wide base of activity that will cease to exist without the funded Games London Programme underpinning them.
- 4.3 The Games London Programme is in the process of finalising a report by Burns Owen Partnership Ltd (BOP) that evaluates the first two years of its project. Early results underline that the programme is on course to exceed its £35m target over its first three years.

#### **Risks**

- 4.4 There is now strong proven industry appetite for a quality London Games Festival which the Games London Programme has established. However, there is a risk that its audience could plateau depending on consumer reaction as the programme grows. Therefore, the festival will continue to innovate and engage with new and emerging markets such as esports and immersive technologies.
- 4.5 Non-GLA funding has varied year-to-year for the Games London Programme depending on changes in the market or circumstances for various bodies. For instance, in year two, the Games London Programme secured a £15,000 match grant for games training from Creative Skillset. However, the organisation has now removed games from its remit. The Games London Programme has targeted higher ticket, sponsorship and sales income for 2018-19 to offset these risks and will continue this flexible approach.
- 4.6 A scaled back investment would not be cost effective or desirable in order to maintain the quality of the programme and leverage private sponsorship partners. If funding were scaled back the Games London Festival scale would reduce and this would diminish its still-early yet highly successful work to date in establishing London's reputation as a capital for games.

#### **5. Financial comments**

- 5.1 Permission is being sought to approve expenditure of £1.2m over three financial years to continue to grow London's games sector.
- 5.2 Grant contributions of £385,000 in 2018-19, £385,000 in 2019-20 and £430,000 in 2020-21 will be made to Film London who will deliver this programme on behalf of the GLA.

- 5.3 A detailed funding agreement will be drawn up outlining the key deliverables as mentioned in section 2.2 with milestones set accordingly.
- 5.4 The grant will be funded from the GLA Culture and Creative Industries Unit's 2018-19 to 2020-21 budgets and subsequently monitored by the same team.

## 6. Legal comments

6.1 Sections 1 to 4 of this report indicate that the decisions requested of the Mayor (in accordance with the GLA's Contracts and Funding Code) concerns the exercise of the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development, wealth creation, social development or the promotion of the improvement of the environment in Greater London; and in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to:

- Pay due regards to the principle that there should be equality of opportunity for all people;
- Consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
- Consult with appropriate bodies.

6.2 In taking the decisions requested, the Mayor must have due regards to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.

6.3 Section 1 and 2 above indicates that the contribution of £1.2m to Film London amounts to the provision of grant funding and not payment for services. Officers must ensure that the funding is distributed fairly, transparently, in accordance with the GLA's equalities and in a manner which affords value for money in accordance with the Contracts and Funding Code.

## 7. Planned delivery approach and next steps

| Activity  | Timeline      |
|---|---------------|
| Award of Grant Funding  | April 2018    |
| London Games Festival 2018  | April 2018    |
| Games Production Finance Market   | April 2018    |
| BAFTA Games Awards  | April 2018    |
| Announcement of funding   | Spring 2018   |
| Delivery Start Date   | April 2018    |
| Final evaluation report for 2015-2018 Games London programme published (interim already received) | June 2018     |
| Trade Delegation to Helsinki  | December 2018 |
| London Games Festival 2019  | April 2019    |
| London Games Festival 2020  | April 2020    |
| London Games Festival 2021  | April 2021    |
| Delivery End Date   | March 2021    |
| Project Closure and evaluation finish   | March 2021    |

**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:

Programme hopes to maximise PR exposure and goodwill by timing renewal publication around a key London Games Festival milestone (to be confirmed once MD is signed off and funding agreement has been entered into). It may not be possible to make this announcement during purdah in Spring 2018 and so this deferral is sought until end May 2018.

Until what date: 30 May 2018

**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:

✓

**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:**

Justine Simons has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**Corporate Investment Board**

This decision was agreed by the Corporate Investment Board on the 19 March 2018

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**

*M. J. Elce*

**Date**

19.3.18

**CHIEF OF STAFF:**

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

**Signature**

*D. Bellamy*

**Date**

19 / 3 / 2018.

