

CMS Committee State of Play – Ukie’s submission

1. What is the topic that you want the Culture, Media and Sport Committee to examine? (3000 character limit)

Ukie, the trade association for the UK’s video game and interactive entertainment industry, urge the Committee to consider an in-depth examination of the economic, cultural, and technological contributions of the UK video games industry. It is essential to identify and address the structural barriers that are currently limiting the industry's growth potential.

The industry has consistently overdelivered on the world stage despite the UK's relative size economically, creating some of the most recognisable games properties of all time from Lara Croft through to Grand Theft Auto. In addition to creating a leading form of entertainment, the sector supports 73,000 jobs and contributes £6bn in Gross Value Added (GVA) to the UK economy. The UK games industry is a nationwide success story, with 55% of development jobs being based outside of London and the South East.

Beyond the sector, the video games industry is an incubator of advanced and emerging technologies which are developed with a games and entertainment application before ‘spilling over’ into wider applications for other sectors. Ukie’s tech spillover report estimated that technology originally developed in the games industry contributed an additional £1.3bn in terms of economic output and supported 10,000 jobs – in addition to overall economic impact of the UK based video games sector¹.

Despite its successes, the UK video games industry has not been immune from the economic headwinds which have hit the global video games industry hard over the past few years following the pandemic. There have been significant job losses across the UK with studio closures, reorganisations, or downsizing affecting both larger domestic and international studios as well as smaller domestic studios. There were also a significant number of shuttered or delayed projects and a reduction in new and innovative intellectual property. In the UK alone, between 2023 and 2024 there were 248 studio closures². These studio closures and reorganisations have continued into 2025 and will significantly affect the UK video games industry and workforce.

At the same time, from these closures have come significant new business registrations and the potential for a new wave of ‘phoenix’ studios based around experienced teams with the potential for the development of new and exciting IP – however they do so in an environment where the overall volume of investment has decreased and access to traditional forms of finance has been historically limited.

The Committee’s inquiry into the sector should therefore focus on practical, evidence-based recommendations to sustain the immense potential of the UK’s games industry. By addressing financial barriers, improving education and training pathways, fostering new IP development through targeted industry support, the Government can create an environment in which the sector continues to thrive.

¹ <https://ukie.org.uk/news/2023/11/spillover-technology-from-video-games-worth-1-3-billion-in-2021>

² <https://www.gamesindustry.biz/number-of-uk-game-dev-freelancers-triples-amid-layoffs-and-studio-closures>

2. What are the challenges or opportunities that require consideration? (3000 character limit)

The UK video games industry has grown due to factors such as an open business environment, an effective system of tax reliefs, world-leading universities producing skilled graduates, a heritage of storytelling, and a stable copyright regime allows for the development of intellectual property. However, several challenges must be addressed to sustain growth.

The industry comprises around 2,500 businesses, with 98% being SMEs. Access to finance remains the most significant barrier to scaling up, particularly for companies developing new intellectual property. Due to the nature of games development, traditional debt finance is often inaccessible. The Government should encourage funding bodies, such as the British Business Bank, to recognize games as a viable sector for debt finance, similar to their approach with digital and tech industries.

Recent pension fund reforms, aimed at increasing domestic investment, also present an opportunity. UK pension funds should be encouraged to invest in the games and creative industries, which offer long-term returns. Strengthening this investment framework can support the Government's growth agenda.

The current UK landscape has seen an influx of foreign investment and acquisitions – Ukie analysis shows that there has been at least £6.2bn of foreign investment by way of acquisitions of UK companies between 2020 and 2024, though over £5bn of this occurred in 2020 and 2021. Domestic investment in the games industry through acquisitions stands at less than £8m in the same period. A stronger domestic investment ecosystem is necessary to help these companies scale without relying on overseas equity or acquisitions.

Existing funding mechanisms must be expanded to meet demand and ensure that the value created in UK games development remains within the country.

Separately, the UK games industry operates at the intersection of creativity and technology, and ongoing skills shortages have constrained growth. While universities continue to produce talent, many businesses rely on international workers. In 2022, Ukie's industry census found that 29% of the directly employed workforce came from the EU or outside the UK. Increased visa costs now pose a major expense, limiting access to global talent.

There is an opportunity, with the Government's curriculum review and a reshaping of the national curriculum, to placing digital and creative subjects at its core to ensure that young people in the UK develop a strong foundation in the use of technology and are better equipped to move into roles in the industry.

The development of a Digital Creativity GCSE, as well as reforms more broadly to design-based subjects, as well as a greater emphasis on creative skills will leave students better placed for further and higher education and better equipped that for the dynamic nature of the modern workforce.

3. To what extent are these challenges or opportunities shared across DCMS sectors? (3000 character limit)

Many of the challenges faced by the UK video games industry are shared across DCMS sectors, particularly in accessing finance, the undervaluing of creative education, and the need for long-term policy certainty.

Access to Finance

Creative industries, including video games, film, and music, struggle with traditional financing due to the high-risk profile attributed to IP-based businesses. This often forces companies to seek overseas equity investment or grow through acquisition, limiting the UK's ability to retain and scale creative businesses.

The UK Games Fund (UKGF), which has now received a £5.5 million grant—the largest in its history—has been essential in supporting early-stage games development. A study by Alma Economics for DCMS found that every £1 invested in UKGF generated £5.40 in benefits, created 530 jobs, and led to long-term productivity gains of £42 million. However, long-term certainty for such schemes is needed to ensure sustained growth across all creative industries. Ukie has been calling for the fund to be maintained for the entirety of this Parliament and increased beyond its current annualised rate of £5.5m in order to help support demand and catalyse development of British games and original IP across the UK.

Creative Education and Skills Development

The decline of creative education is a challenge that impacts not just video games but the entire creative sector. Between 2010 and 2017, hours dedicated to 'arts' subjects in schools fell by 21%, and the number of arts teachers declined by 20% (DfE, 2018). More recently, the Cultural Learning Alliance's 2024 Annual Report Card revealed that 27% of schools had cut creative courses due to the EBacc. This disproportionately affects industries like animation, fashion, and music, which rely on strong creative education pathways.

Moreover, public perception of creative careers remains a barrier. A 2024 Escape Studios survey found that 40% of UK adults, including 38% of parents, did not view creative roles as "real jobs." This contributes to the undervaluing of creative skills, impacting talent pipelines across DCMS sectors. In addition, there is a steady decline of female students taking Computer Science GCSE – 17% compared to 39% of male students.³

Therefore, as part of the Curriculum Review, Ukie is recommending the introduction of a Digital Creativity GCSE which seeks to ensure that all students, regardless of background have the opportunity to develop essential creative and digital skills to prepare them for the future job market. The qualification which would sit alongside a reformed Computer Science GCSE would focus on practical skills and integrate digital and creative technologies including production, visual and audio design and game development.

³ <https://www.kcl.ac.uk/research/subject-choice-attainment-and-representation-in-computing>

4. What is the role for the Government and/or Parliament in dealing with these issues? (3000 character limit)

Parliament plays a crucial role in addressing the challenges and seizing the opportunities presented by the UK's video games sector, and more broadly, the creative industries. Their role extends beyond simply providing financial support or creating favourable regulations; it encompasses the strategic oversight and long-term planning necessary to ensure the sector's continued growth and sustainability.

While the UK video games industry has benefitted from certain government-backed reliefs and funding schemes, it lacks the dedicated public institutions that support other creative sectors. For example, the British Film Institute (BFI) has a well-established role in promoting and supporting the film industry, but there is no comparable institution focusing specifically on the video games sector. This lack of institutional support and research structures is a significant gap, and one that other sectors within DCMS also experience. A dedicated body for the video games sector could provide long-term research, funding, and strategic development support, much like the BFI does for film, ensuring that the sector's contributions to the UK economy and culture are better recognised and supported.

Moreover, as the games industry continues to expand, government support in streamlining the process for funding and investment becomes even more essential. Expanding access to finance for SMEs, including start-ups, is critical. The current lack of suitable financing mechanisms for scaling businesses should be addressed, with the government encouraging financial institutions to explore funding models that suit the needs of the creative industries, particularly those operating in high-risk sectors such as games development.

As mentioned in the previous answer, the issue of talent is another area where the government must be actively engaged. A sustainable pipeline of skilled workers is essential for the future growth of the video games industry. The government has a clear role to play in enhancing education and skills provision to ensure that young people are equipped with the digital and creative skills necessary to thrive in the sector. Initiatives like the proposed Digital Creativity GCSE are key to addressing skills shortages, particularly in areas such as coding, technical art, and game design.

Finally, a robust and supportive framework for intellectual property (IP) protection is vital for ensuring that the economic value generated by the video games industry remains within the UK. This includes addressing concerns about the increasing foreign investment and acquisitions of UK-based games companies, which risks the loss of valuable IP. The government should explore measures to incentivise UK-based investment, such as pension fund reforms, and ensure that British firms have the support they need to stay competitive on the global stage.

5. Are there any upcoming deadlines, milestones or other time considerations the Committee should be aware of (excluding the Government's Spending Review and Industrial Strategy)? (3000 character limit)

There is an opportunity, with the Government's curriculum review and a reshaping of the national curriculum, to placing digital and creative subjects at its core to ensure that young people in the UK develop a strong foundation in the use of technology and are better equipped to move into roles in the industry. The development of a Digital Creativity GCSE, as well as reforms more broadly to design-based subjects and Computer Science, as well as a greater emphasis on creative skills will leave students better placed for further and higher education and better equipped that for the dynamic nature of the modern workforce.

We support the aims of the Curriculum and Assessment review and feel it represents a once in a generation opportunity to enhance creativity in education, expand digital skills provision, integrate arts and sciences and empower a new, diverse generation of digital creators.

Another critical deadline for the games industry is the reform of the phasing-out of the Video Games Tax Relief (VGTR), which will be replaced with the Video Games Expenditure Credit (VGEC) as of 1 April 2025. Research commissioned by Ukie and conducted by Nordicity, due to be published soon, highlights that while VGTR and VGEC have successfully grown the industry, other countries such as France, Ireland, Australia, and parts of Canada now offer more competitive incentives. Rising development costs, wage increases, and restricted labour mobility post-Brexit have reduced the UK's relative attractiveness for game development.

Ukie has submitted a business case to the Treasury recommending an increase for VGEC to 39% on 100% of qualifying expenditure, with a new 'games growth' rate of 53% on projects of £10m or less. These changes would make the UK's tax incentives the most competitive globally and help UK based companies who have invested significantly in the UK to continue developing great games and develop new intellectual property. Over five years, these reforms are projected to deliver £479m in additional GVA annually and create 5,969 new jobs. The return on investment would increase to £1.87 for every £1 disbursed, alongside the existing baseline return of £3.20 per £1 invested. The Government spending review is scheduled for this Spring.

Additionally, there is a need for immediate clarification of VGEC rules and guidance to address modern development practices. This includes support for co-development productions, which are common in video game creation but currently excluded from VGEC eligibility, unlike the Film and High-End TV sectors.

Urgent attention is also required to resolve delays and increased scrutiny by HMRC in processing VGEC claims. Some businesses have faced severe delays that, in some cases, led to company closures despite meeting existing BFI certification. Ensuring timely and consistent processing of VGEC claims is vital to maintaining the UK's attractiveness as a location for ongoing and future development.

6. Is there any other recent or upcoming work from governments, trade bodies or other relevant organisations on these issues? (3000 character limit)

Answered in Question 5. We will shortly be publishing our research modelling the impact of a higher rate of VGEC and an additional new rate of VGEC aimed at smaller budget productions.