



# FILM LONDON ANIMATION STRATEGY 2021/22



# FILM LONDON

## ANIMATION STRATEGY 2021/22

Animation is a global business. The UK is the second biggest animation producer in Europe, after France. London produces more than 50 per cent of the UK's animation output. For over thirty years, productions have been financed through co-productions, co-financing and a true entrepreneurial, international, spirit.

During the recent global coronavirus pandemic, animation fared far better than many screen industries. Recent months have been an excellent time to take stock of the animation sector in London; to ask key stakeholders where the challenges lie, whether long term or as a result of the pandemic, to consider how they might be addressed, and to develop a strategy outlining how Film London can best support animation in London now and in the future, addressing the challenges and attracting further growth.



# AN OVERVIEW OF LONDON'S ANIMATION SECTOR

## FINANCIAL POSITION

Film London was the first, and currently, only regional screen agency to have a dedicated animation consultant working with the region's studios and producers to help the sector grow commercially and creatively. Since 2012, the investment into London's animation sector has increased from £35m to **over £450m a year**, figures derived from unique and individual surveys carried out annually with the industry. The surveys are bi-annual face-to-face discussions with every major studio based inside the M25 and captures every TV and film project in production.

Amongst other data, the survey quantifies:

- **Total project budget**
- **Percentage of budget spent in London**
- **Number of people directly employed in London on that project**

In 2020, the money flowing into London to finance animated projects was just over **£490m**, with

£370m actually being spent directly in London: 25 per cent is spent elsewhere. This figure is for production only, and doesn't consider the long tail of animation's commercial value in terms of the merchandise and licensing which animated films and series can drive, creating an economic halo effect around the intellectual property (IP); for example, ***Peppa Pig*** has generated gross revenues **in excess of \$1bn** from merchandising every year since 2015, separately from the revenues derived from the television series itself.

It is estimated, based on BFI data detailing which animation programmes and films received final tax certification in 2021, that half of the UK's total animation output is from London. In 2020, ten feature films were in production and thirty-five television series. On top of that, the industry fuels commercial pop videos and has a very healthy and diverse short film sector showcasing new and emerging artist-led talent.







# AN OVERVIEW OF LONDON'S ANIMATION SECTOR

## STUDIO TYPES AND OFFER

The animation sector in London comprises approximately 60 animation studios and producers. This number fluctuates slightly year on year as new studios open, and others close, split or consolidate, and the output covers all animation genres. Fundamentally the industry is defined by three main types of business:

### FULL-SERVICE STUDIO

These studios constitute 40 per cent of the business. The studios oversee all components of the animation chain internally, from design through to delivery. They have the highest numbers of animators working in-house, often more than 150 people. Most of their revenue is generated by service work for US studios and the BBC.

### 'TOP & TAIL' STUDIOS

Making up 40 per cent of the sector, these studios develop their own IP and internally manage the early-stage core creative components. The employee level is generally between 10 and 20 people. The 'physical' animation is then subcontracted to a studio outside London and most often outside the UK. When animation is complete, the project is returned to third party companies in London for post-production and delivery.

### EXECUTIVE PRODUCERS

This is the smallest sector, accounting for 20 per cent of the business and often run by commercial experts rather than creative talent. These organisations tend to be smaller – fewer than 10 people – and focus on finding and controlling intellectual property. Their model is to own and manage the IP, subcontracting all creative and production processes.



# AN OVERVIEW OF LONDON'S ANIMATION SECTOR

## EMPLOYMENT

Through Film London's research, it has been determined that the industry directly employs **2,500** people in London: 1,000 in feature animation and a further 1,500 in series animation. A conservative estimate is that 25 per cent, or 625 individuals, of the core animation teams have traditionally been from outside the UK. The potential effects of EU Exit have been mitigated to an extent: animation and VFX minimum salary thresholds neutralised for roles on the Shortage Occupation List (SOL), an official government list of occupations for which there are not enough resident workers to fill vacancies, managed by The Migration Advisory Committee, and the majority of production roles were added to the SOL. However, the fact remains that new EU recruits will be required to have visas to work in London. This will involve application fees and immigration taxes, along with processing time. Ironically, the pandemic restrictions also helped solve part of the labour challenge; remote working talent not resident in the UK can still contribute to projects. The downside is that they do not consequently attract tax credit.









# ASKING THE QUESTIONS: RESEARCHING THE SECTOR

The COVID-19 pandemic was the catalyst, prompting Film London to take stock of its involvement with the animation industry in the Capital, and review its strategy and focus. In contrast to the live-action sector, animation was back up and running at near-total capacity within a few weeks of the initial nationwide lockdown, with studios embracing new technologies to allow remote working. In some cases, the business grew as networks and financiers recognised that animated product could fill the gap left by the suspension of live-action production.

To ensure the agency is serving its clients and fulfilling its remit to its funders, Film London conducted a confidential study of all London based animation studios and producers in the third quarter of 2020. The initial research, comprising over 70 video conference meetings, led to a virtual round table discussion with fifteen critical stakeholders in December 2020. This, in turn, led to an internal qualitative report produced in January 2021.

## RESEARCH FINDINGS

Depending on the type and scale of the entity, businesses placed different emphases on needs. Despite this, the research identified six consistent areas of concern from the industry:

### 1. TAX CREDITS

The animation tax credit, introduced in 2013, is rightly credited with saving the industry in the UK. While the tax credit remains critical, there is some evidence of its value being eroded. More data to support this assertion is currently being collected. There is also still a lack of awareness within the UK and overseas of its benefits.



## **2. FUNDING OF PRODUCTION AND IP DEVELOPMENT**

Development and production funding support in the Capital is limited, especially for commercially-driven IP. Other UK regional screen agencies are competitive, or have more funding opportunities than London.

## **3. TRAINING, SKILLS AND DIVERSITY**

A gap still exists between new university graduates' skills and abilities and market demand: there are concerns over whether new graduates' skills are immediately applicable to the industry. The effect of EU Exit and the loss of free movement of labour is also still to be determined, and remains a significant concern. Animation has a greater workforce diversity than other screen industries but still has a low representation of people from minority ethnic communities and disabled talent. *(Source: UK Screen Alliance Survey 2019)*

## **4. INFRASTRUCTURE**

London has been an expensive location for commercial and residential property. There has also been a push by the UK's nations and regions over many years, with accompanying subsidies and support for businesses to set up. This creates a challenge for new companies when choosing a location, as well as for existing studios looking to expand.

## **5. ANIMATION AS A SEPARATE COMMERCIAL SECTOR**

Unlike the Games industry, animation production figures are subsumed within feature film production or television series production in official statistics. This makes demonstrating the case for financial support harder and doesn't give animation as a business sector the recognition it deserves.

## **6. CELEBRATION OF LONDON'S ANIMATION SUCCESS**

London doesn't sell itself well or celebrate its achievements enough internationally.







## LOOKING FORWARD:

### FILM LONDON'S NEW ANIMATION STRATEGY

***"Venture outside your comfort zone, the rewards are worth it!" Rapunzel, Tangled, Disney, 2010***

We will continue to take a holistic approach to animation internally within Film London, whilst ensuring our external focus is on the areas where Film London can have the most impact, on its own and in collaboration with other regional agencies, to deliver a nationwide impact.

In launching the new strategy at Annecy International Animation Film Festival, one of the milestone events in the Animation industry calendar, we are signalling a renewed commitment and focus. While we anticipate an iterative process in shaping and refining the direction, including further consultation with stakeholders following initial launch, the key objectives for 2021/22 are summarised below:

- **Increase the level of Inward Investment to London's animation industry**
- **Work with industry and relevant organisations to promote, where appropriate, the efficacy of tax credit internationally**
- **Work to gather more data and other measures to ensure the animation tax credit remains competitive in coming years**
- **Forge durable, collaborative and working pipelines with other international cities**
- **Encourage animation companies to work within a sustainable environment**
- **Elevate London animation to compete creatively and financially with other key cities around the world**
- **Deliver an Equality, Diversity & Inclusion programme for the industry in London**

# LOOKING FORWARD:

## FILM LONDON'S INTERNAL FOCUS

### ***"Most everyone's mad here!" Cheshire Cat, Alice in Wonderland, Disney, 1951***

We are organising and refocusing internally to deliver on this Strategy's objectives in the following ways:

- **Film London's Artists' Moving Image Network (FLAMIN)** form their own innovative part of the new wider Film London strategy. This will include a new programme of commissions for four early-career black-identifying artist animators living in the UK. The programme aims to support four new 1–3-minute animation projects from artists as they take their first steps into a career working with the moving image, with development support and funding for a new work. They will be shown on the Film London website in winter 2021 and FLAMIN will support the selected artist animators in getting further exposure for their work. There will be additional support activity in 2021 for applicants who are unsuccessful in getting one of the four commissions.
- **Film London** is working to increase the number of animation applications to the **BFI NETWORK Short Film Fund**. Led by Film London's Talent Development & Production (TDP), there will be a two-pronged approach supported by two partnerships. Firstly, The Line Animation has been commissioned to restart its successful and well-regarded animation-focused podcast, Pegbar & Grill, with two episodes to be recorded post-lockdown promoting UK talent and the BFI NETWORK Fund. Secondly, Blinkink recently ran a masterclass on producing animated shorts, and will provide mentorship to a small group of short filmmakers, selected after an open call in which they'll submit their showreel and a one-page outline of their project.
- **Film London's GreenScreen** programme promotes and helps achieve sustainable production best practice within film and TV production. It will be updated to address animation production companies when and where applicable.



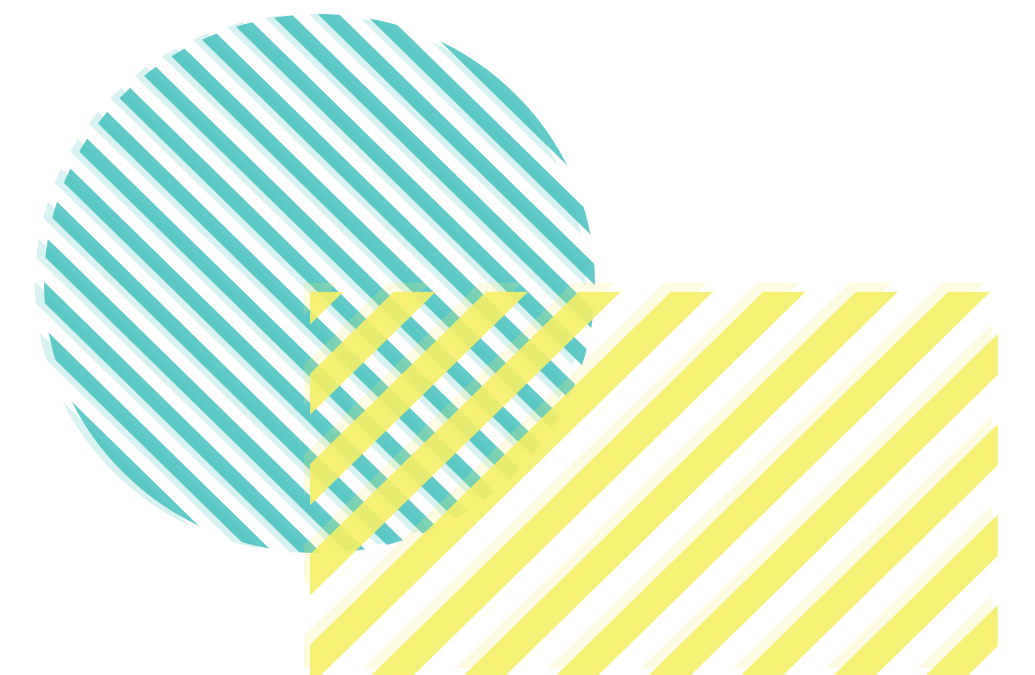


# LOOKING FORWARD: TRAINING, DIVERSITY & INCLUSION

***"You must not let anyone define your limits because of where you come from." Gusteau, Ratatouille, Disney/Pixar, 2007***

This is at the heart of all Film London initiatives. Film London's Equal Access Network (EAN) initiative currently has over 2500 members and we are already benefitting from this scheme in various ways, for example: one of its members was selected to present their IP at UPstream 2021 – Film London's IP and content creation event. In addition, a recent partnership with award-winning London animation studio, Lupus Films, to help source and coordinate new trainees for their animated films has been agreed, drawing from the EAN talent pool. It is anticipated that this inaugural alliance will expand over time, and Film London will automatically become the go-to, first point of contact between employers and new/returning talent, offering individuals from more diverse backgrounds an entry point into animation.

Film London will also be offering a programme of panels and seminars by leading animation talent, to encourage school-age children from diverse backgrounds to explore career opportunities and inspire graduates to follow a career in animation. These will also be offered to our Film London Games team, as well as Talent Development & Production (TDP) and Artists Moving Image Network (FLAMIN) Departments, with greater internal collaboration providing a robust and committed programme of activity.

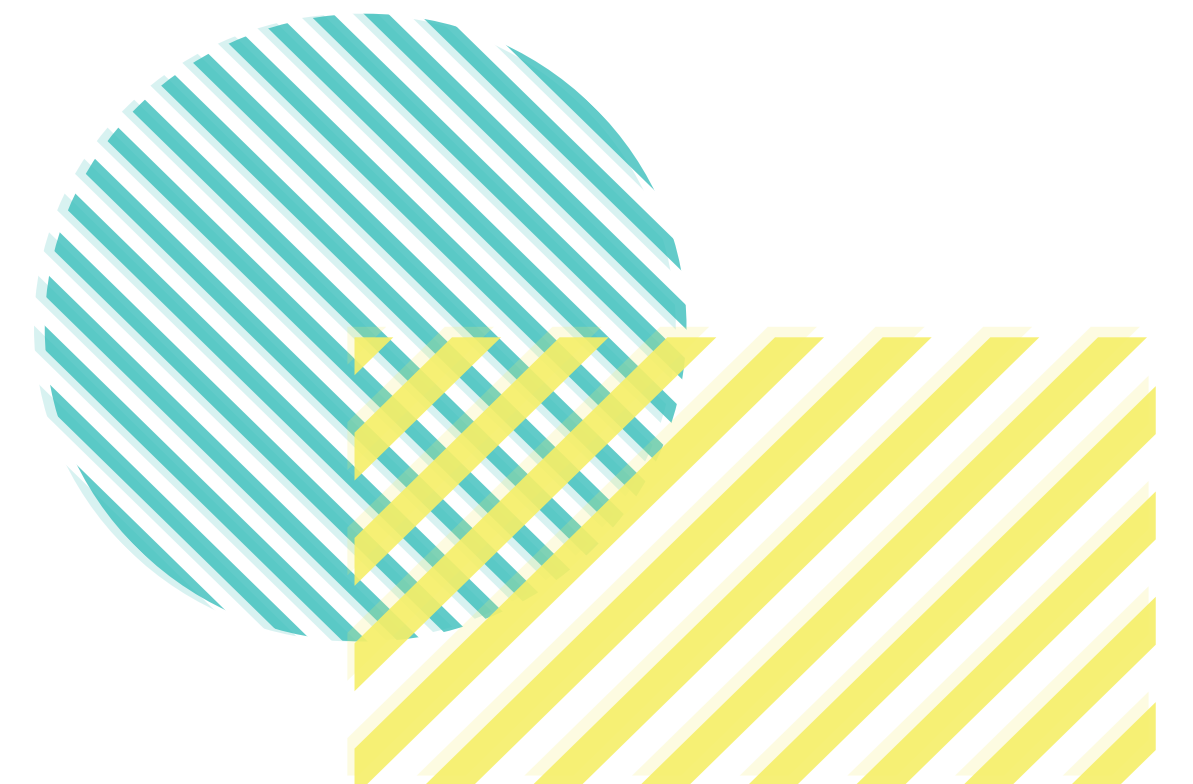




# LOOKING FORWARD: TRAINING, DIVERSITY & INCLUSION

Within Further Education sources already established and to be established, Film London will continue to work matching the needs and skills gaps within the industry with the curriculum, working with the GLA and Adult Education organisations. Relationships with organisations such as BFI, Animation UK, UKie, UK Screen Alliance, ScreenSkills and NextGen Skills will continue ensuring that Film London is integral to their nationwide skills and training initiatives. Relationships with animation employers will be accelerated by confident marketing and promotion to ensure delivery of opportunities and jobs.

Film London is developing a workplace scheme for disabled talent to allow parity with able-bodied crew. The ability to work remotely, which has proved successful within the animation industry, could support a greater number of disabled animators, and those who find access to studios challenging in terms of physical barriers, as well as the time and discomfort experienced in commuting. We are currently in scheme development, working with animation employers and disability advisers, with more details to follow by Autumn 2021.



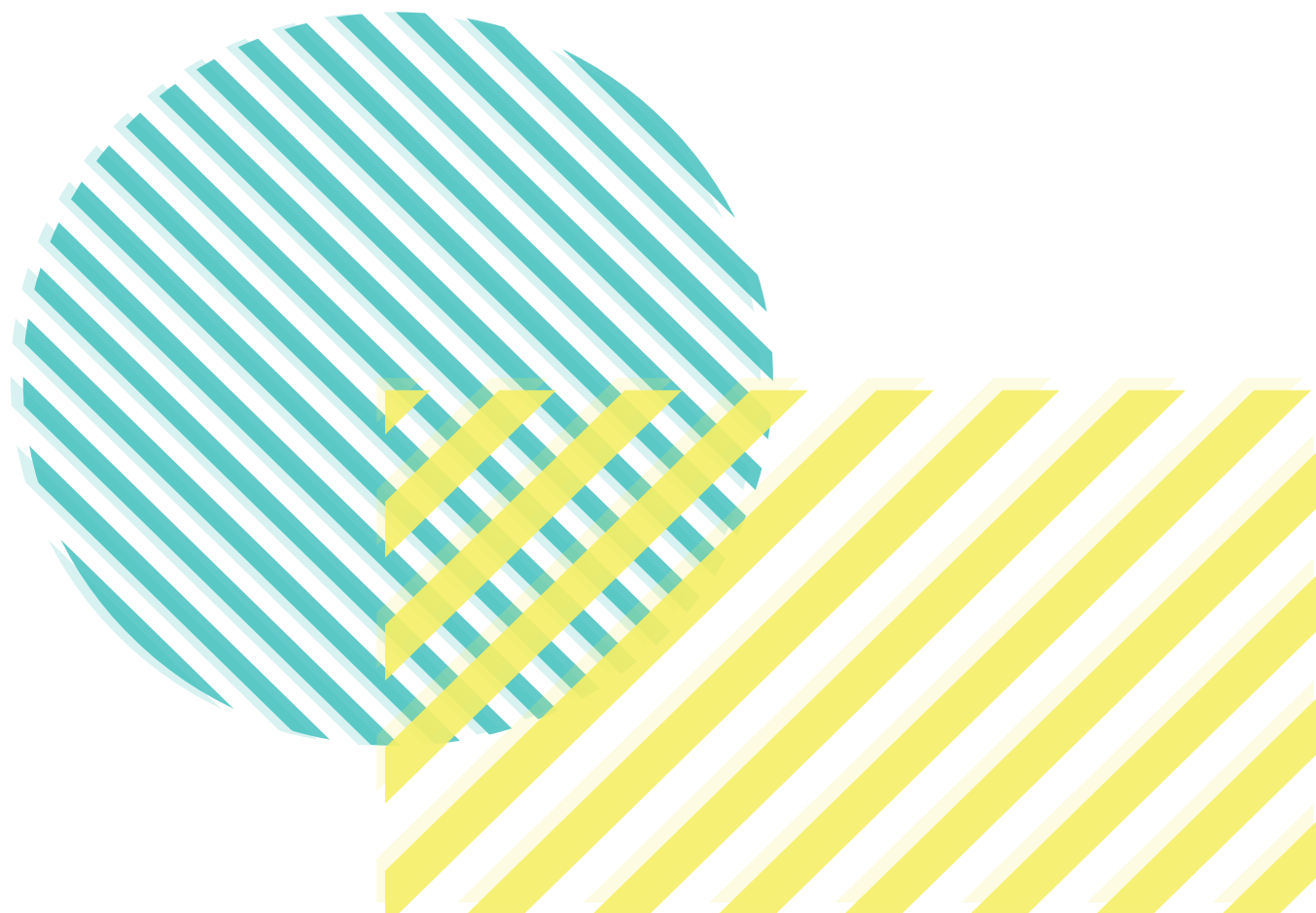


## LOOKING FORWARD: INFRASTRUCTURE & BUSINESS SUPPORT

***"You and I are a team. There is nothing more important."* Mike Wazowski, *Monsters Inc.*, Disney/Pixar, 2001**

The suite of tax reliefs available throughout the UK film and television industry, including animation, remains very competitive worldwide. Working with industry and relevant organisations, Film London will continue to promote, where appropriate, the efficacy of the tax credit internationally. We will also work to gather more data and further measures to ensure the animation tax credit remains competitive in coming years.

The sector is generally unaware of the opportunities offered by planning departments at the GLA, the individual London boroughs and London & Partners as a potential resource for studio space, particularly outside of the traditional central London areas of Soho, Holborn and Shoreditch. In addition to Film London's range of business support services available to animation companies, we will convene a seminar to introduce the animation sector to those opportunities and to open communication corridors, to help retain animation companies within the M25.









# LOOKING FORWARD: FAMILIARISATION (FAM) TRIPS

***"Adventure is out there." Ellie, UP, Disney/Pixar, 2009***

The outbound delegation to Vancouver in 2019, as part of a city-to-city exchange between London and Vancouver, proved to be very successful, with a multi-million pound, three picture deal. Following this, the FAM trips will be evaluated, and a focus on territory-specific Outbound and Inbound trips will be organised on alternate years in order for the Inbound trip to include access to the British Animation Awards held in March every other year. The trips will be tailored to target specific territories identified as offering the most potential including Spain, the US (NYC, LA, Miami and Portland) and Canada, by creating a city exchange with these hubs, building long term, consistent relationships from these initial face to face visits.



# LOOKING FORWARD:

## FUNDING OF PRODUCTION AND IP DEVELOPMENT

***"Your identity is your most valuable possession. Protect it."* Elastigirl, *The Incredibles*, Disney/Pixar, 2005**

Although Film London has limited funding resources, there are opportunities to introduce London's established animation sector to new ideas and channel the ideas of new entrants to funding opportunities like the BFI's Young Audience Content Fund for TV series and the BFI's feature development and production funds for film, including the newly announced Global Screen Fund.

Film London's IP event, UPstream, plans to expand its IP offering to introduce new animated IP to funders and studios. International animation festivals and markets will be attended by UPstream team members to discover new animated IP talent for potential inclusion in the next Upstream event. The Production Finance Market, the UK's only film finance event which curates 1-2-1 meetings with

producers and financiers, will also encourage producers with animated properties to apply and attend the market, as there has been a noticeable trend within UK sales companies, with more taking on animation projects each year.

A twice-a-year, New Entrant IP session will also be established, allowing new talent, not usually able to access topline studios and producers, to be introduced. A speed-dating model will be utilised where new talent will have a fixed time to pitch their ideas to several studios in one session, and several key studios have already signed up to the venture. This will become a hotbed of new animation talent and IP, again securing the delivery of our animation ambitions.



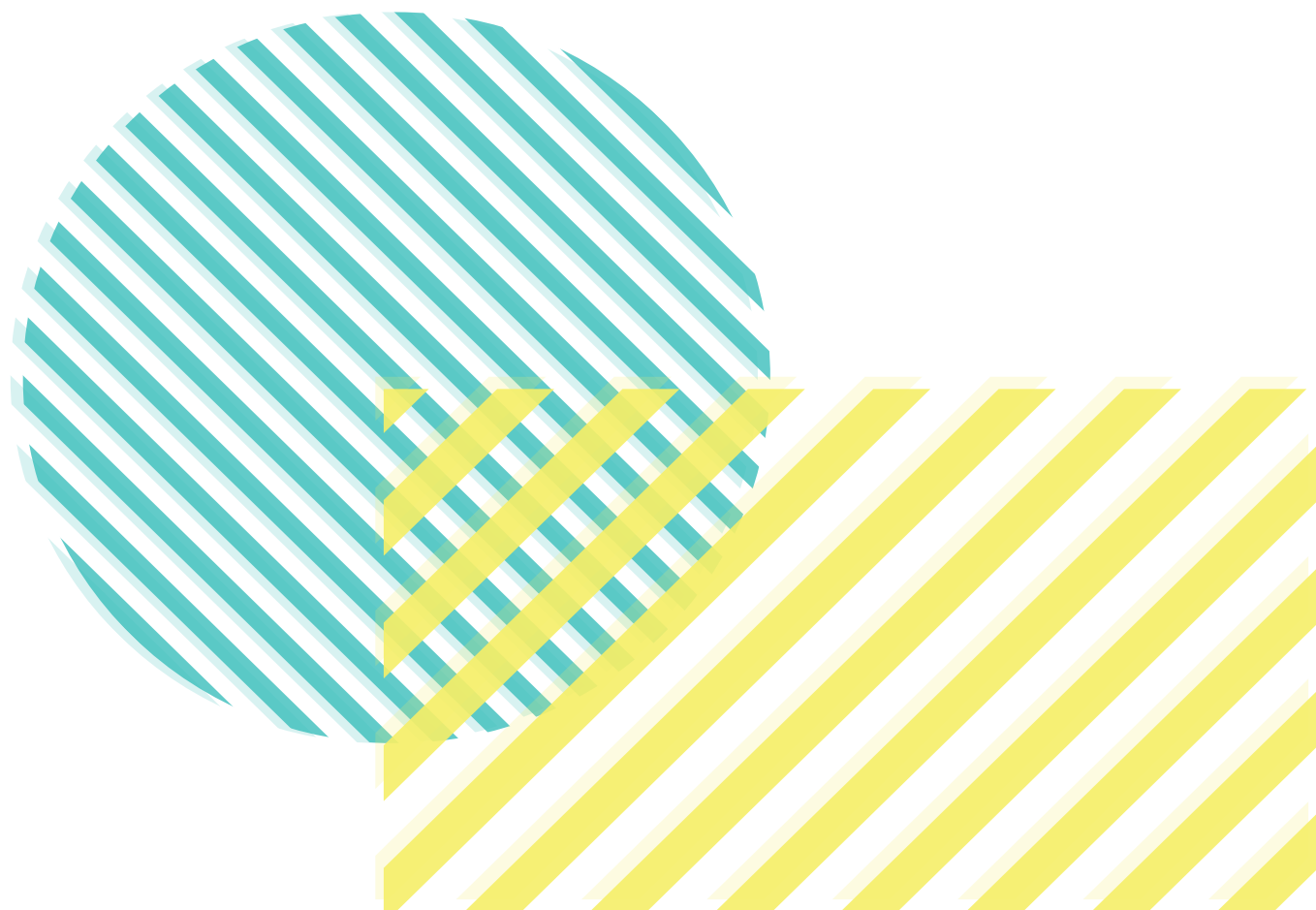




# LOOKING FORWARD: MARKETS & FESTIVALS

## ***"Just keep swimming" Dory, Finding Nemo, Disney/Pixar, 2003***

Attendance at key animation markets and festivals is central to the strategy and Film London will work with partner organisations such as BFI, Animation UK as well as industry to promote the London and UK offer. High profile sessions and consistent marketing at Annecy, KidScreen, MIP Jr, Cartoon Forum and Cartoon Movie will be created, as well as supporting more homegrown festivals such as the London International Animation Festival and the Children's Media Conference, to ensure that London's animation offering is placed firmly and clearly in front of potential partners from around the globe. Film London's attendance will not only be within the frame of marketing and promotion: executives will attend within the context of IP/new talent discovery for participation at UPstream which will further enhance our presence and demonstrate our clear message for our support of animation talent.





# CELEBRATION OF LONDON'S ANIMATION SUCCESS: CREATION OF SUPPORTING MARKETING ASSETS

***"You can fly a whole lot higher than you think." Skipper, Planes, Disney, 2013***

Alongside Film London's general showreel, an animation-specific showreel has been created to showcase and celebrate the work produced within the M25. In addition, a new animation directory is being constructed as part of Film London's website, offering direct contact information for third parties to access our animation consultant and take advantage of the knowledge and contact network we can offer.

## END CREDITS

***"Let it go, let it go!" Elsa, Frozen, Disney, 2013***

If Paddington Bear can take the crown from Citizen Kane, then the Film London Animation Strategy arrives at the most auspicious of times...

**FILM LONDON: TO INFINITY AND BEYOND...**



