



Powering Creativity

How the UK's broadcast and entertainment sector can lead the world

Contents

Headline findings	4	Chapter three: Our future potential	26
Powering creativity, in the UK and across the world	7	What will change over the next decade?	27
Introduction: The very best of UK media and entertainment	8	What does this mean for UK audiences?	28
Chapter one: Sky’s economic impact in the UK	9	How will international demand grow?	31
Creating growth	10	What does this mean for the UK media and entertainment sector?	31
Serving our customers and communities	11	Chapter four: Sky’s policy recommendations	32
Creating content	12	Innovation and incentives	33
Sky Sports	13	Skills	34
Sky News	16	Space and connectivity	35
Sky Originals	17	Methodology	36
Sky Arts	19	Public First	36
Creating the best streaming experiences	21	Oxford Economics	36
Chapter two: Understanding what people want	22	The steps and assumptions in our analysis	37
Who is watching?	23		

Delivering growth
through creativity



Funny Woman

sky max

Headline findings

This report celebrates Sky's recent successes, considers our present audience and projects our future opportunities. Supported by new research conducted by independent experts Public First and Oxford Economics, including consumer polling, population segmentation and economic modelling, we set out Sky's economic and cultural contributions to the UK, how the British public's viewing habits are changing and the pathway to growing the sector if we pursue the right policies.

Sky's impact in the UK

Sky is a major contributor to the UK's economy. In 2022, we estimate that **Sky supported a contribution of £20 billion to UK GDP and supported over a quarter of a million British jobs**. This includes over 26,000 Sky employees working across the country, with 16 offices nationwide and our Sky TV engineers operating in every county.

Sky fundamentally understands what people want to watch. We create thousands of hours of film and TV content across all genres – led by Sky News, Sky Sports, Sky Originals and Sky Arts. In 2022 alone, we broadcast 70,000 hours of elite sports coverage and invested over £130 million to bring our award winning journalism free of charge.

Moreover, we are continuously investing in the UK's creative infrastructure. In 2022, the first production started at Sky Studios Elstree, our new state-of-the-art film and TV studio. Sky Studios Elstree is projected to attract £3 billion of new production investment to the UK in its first five years and create up to 2,000 jobs.

Sky has also invested hundreds of millions of pounds in our platforms, technology and apps - including Sky Stream, Sky Glass and Sky Live - to offer cutting-edge access to the best content. As it stands, we estimate that the average consumer currently spends 27 hours a year searching for the right thing to watch. We therefore want to accelerate the "speed to joy" journey so that our customers can find what they want in seconds.

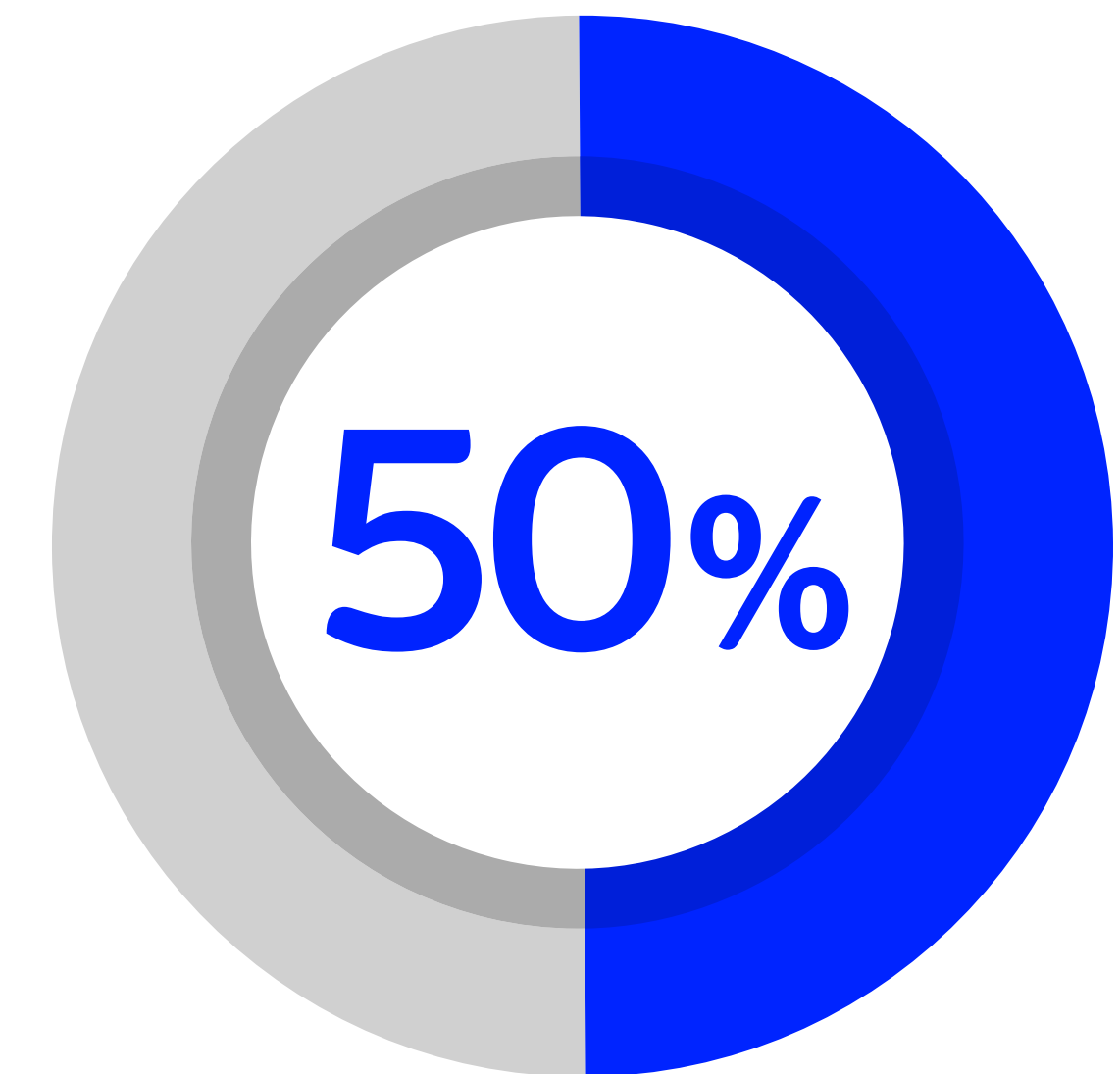
Understanding what people want

For Sky, the customer is always at the heart of things. In a time of intense technological transition and increased competition for attention, it is more important than ever to understand the British public. Viewing habits are constantly adapting, leading to new trends in what audiences want from their entertainment mix.

Our latest consumer clustering shows remarkable consistency in the types of content that British viewers enjoy - with particularly strong support for British productions. One in two UK adults are more likely to watch a TV show if it is set in the UK, with 45 % saying they particularly enjoy the British sense of humour.

However, there is a real diversity in how UK audiences choose to access their favourite films and shows. From linear TV through to streaming via a virtual reality headset, different people are leaning into different devices in different ways.

STRONG SUPPORT FOR BRITISH PRODUCTIONS



UK adults are more likely to watch a TV show if it is set in the UK

Our future potential

Sky is always looking ahead. We have consistently revolutionised how people enjoy content and do not intend to stop now. Our audiences always have new expectations when it comes to what, when and where they watch their favourite content, and it is imperative that we continue to exceed these expectations.

From our perspective, change represents a positive opportunity for growth. And we have worked to properly quantify how this opportunity is likely to evolve over the next ten years. By understanding the relative changes in British content consumption based on our demographic profiles, and by coupling this with export projections based on the total media market, we are confident that there is a bright future for our sector.

In economic terms, we found that **the UK Media and Entertainment Sector has the potential to be worth an additional £10 billion a year by 2033** – rising from £43 billion in 2021 to £53 billion in 2033, and equal to an additional 40,000 British jobs.

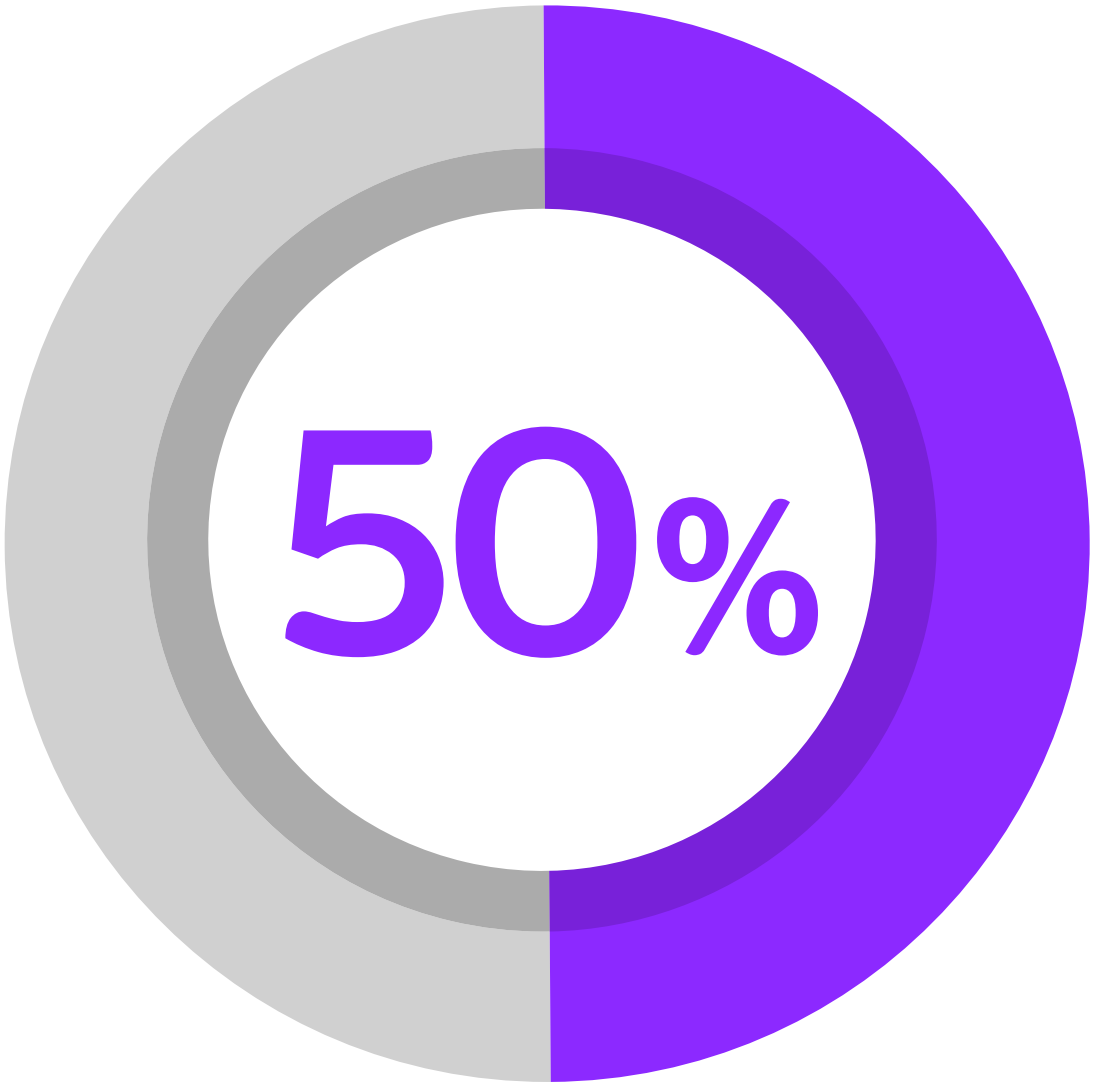
Indeed, our modelling predicts that UK audiences from all demographics will continue to demand a choice of high-quality, British-made, programming particularly when it comes to live broadcasts for current affairs, sports and national “moments”.

This will then be supplemented by significant export revenue. We anticipate that **international demand for British content is set to grow by a staggering 50% by 2033**, as the UK continues to command a disproportionate share of the international market.

The value of direct exports will also deliver direct spillover effects associated with international popularity, including a **projected £2 billion boost for UK tourism** as overseas fans travel to see iconic locations from their favourite shows.

For Sky, this research demonstrates there is an obvious mandate to continue creating captivating original content across a whole host of genres, whilst also empowering our customers to find the best programming to suit their every mood. By striving for better content, better tools, and better customer journeys, the UK’s media and entertainment sector can go from strength to strength.

EXPECTED DEMAND FOR BRITISH PRODUCTIONS



Growth in international demand for British content by 2033



Five priorities for creative success

There are steps that we all need to take - as a business, a sector and a country - to deliver the next decade of potential success. In order to drive sustainable growth in the UK's creative industries, we need a favourable policy environment for the media and entertainment industry – fostering innovation, attracting investment and ensuring we remain competitive on the global stage. In particular, we need action in five key areas.

Innovation

If the UK's media and entertainment industry is to continue to innovate, we need to be confident that our creative energies and resources can be forward-looking and focused on meeting market demand. But this risks being challenged by the significant amount of resources that businesses are asked to deploy on regulatory requirements – time and effort could be better placed elsewhere. We are therefore proposing that all new regulation is subject to an Innovation Impact Assessment requiring Government departments to explicitly consider the effect of new rules on companies' ability to innovate.

Skills

Acute technical skills shortages across the UK economy need to be tackled in order to unlock its full potential. The prevalence of freelancers in the creative industries means that the sector often struggles to meet the Apprenticeship Levy's existing requirements. Meanwhile the UK faces crew shortages at all levels, not merely at entry level. Government can meet the sector's workforce demands by expanding the scope of the Apprenticeship Levy so that it covers freelancers that move flexibly between productions, and allowing funds to be used for broader retraining and retention.

Investment environment

The UK's Audio-Visual tax environment has bolstered our international competitiveness, attracted significant inward investment, supported the production of British content and delivered huge returns to the overall UK economy. We cannot be complacent about this competitive advantage. Government should maintain a world-leading AV tax framework by committing to a regular benchmarking exercise assessing UK incentives against competing jurisdictions, as well as broadening R&D tax credits eligibility to include creative endeavours.

Space

Our media and entertainment sector is currently stifled by a lack of production studios. Available soundstage space is at capacity, necessitating the use of temporary and alternative venues for filming and set builds. We need to continue to build more production infrastructure, or risk losing out to overseas rivals. Government needs to proactively support production studio infrastructure by streamlining planning processes and rethinking the Valuation Office Agency's (VOA) property tax rating for studios.

Access for all

Multiple device usage, live-streaming, virtual reality and other emerging technologies will all require more data to transmit than ever before. Ever-improving connectivity infrastructure is required to ensure users can enjoy the latest entertainment without interruption. The future is Internet Protocols (IP), and we must ensure that no one is left behind. Government should therefore launch a national IP roadmap in anticipation of a wholesale shift to IP distribution, including a coordinated effort to end digital exclusion to allow people to engage with online-only content.

Five priorities for creative success

1

All new regulation
subject to an Innovation
Impact Assessment

2

Expand the scope of the
Apprenticeship Levy

3

Maintain a world-leading
AV tax framework

4

Proactively support
production studio
infrastructure

5

Launch a national
IP roadmap

Powering creativity, in the UK and across the world

For decades, Sky has changed the way we watch TV. We were the first to bring 24-hour, rolling news to the UK. We revolutionised the quality and depth of sports coverage for millions of fans, changing the game forever. We brought hundreds of channels, movies on-demand and an array of new choices for TV lovers.

We have grown to become one of Europe's leading media and tech companies, with 23 million customers across six countries. Headquartered in the UK, our talented 26,000 colleagues supported a contribution of £20 billion to UK GDP in 2022 and supported over a quarter of a million British jobs.

But we never stand still. Our customers constantly have new expectations when it comes to what, when and where they watch their favourite content. Sky steps up to meet that challenge head on: we embrace change, we take challenges head on and we make sure our customers get the best experience on offer. As new analysis in this report shows, there is an imperative to keep striding forward both to deliver for customers and for the UK to fulfil its enormous potential – all of which makes for an exciting future.

Too often changing consumer habits are framed as something to be feared. Progress is misunderstood, and the shift to new technologies is misrepresented as a threat rather than an opportunity – or in fact, an imperative. This should not be the case.

Our research shows there is a unique opportunity for the UK to be a global powerhouse of creative production, scaling up to meet growing demand both at home and overseas. If our industry and policymakers work together to create the conditions to develop skills in our workforce, foster innovation and support the development of key infrastructure, we will succeed in creating more prosperity for communities across the country. If together we seize the moment the media and entertainment sector could deliver an additional £10 billion a year to the UK economy by 2033.



Dana Strong, Group CEO, Sky



The very best of British media and entertainment

Sky stays ahead of the game by understanding how we can better serve our customers with the content they love, in a way that engages and excites them.

Nowhere is this more apparent than in women's sport. As women's teams in football, cricket and netball inspire fans across the country and shine on the world stage, a record number of people are now tuning in to watch. Almost half of British adults say they have increased their following of women's sport in recent years, with over two thirds of individuals attributing this to enjoyment of recent broadcast coverage.

At Sky, we have long recognised the potential in women's sport and invested for our customers. It is a privilege to play our part in helping propel women's sporting achievements into new dimensions of public consciousness and new levels of fandom. 2023 is our biggest ever year for major women's sports events on Sky. We have

seen more viewers than ever tune in to watch England Women triumph over Australia in the T20 Ashes series and a significant number of people keeping up with the Women's Super League. Plus, dedicated social media content across Sky Sports' TikTok and SnapChat enables us to tell the stories behind the biggest moments to new and existing fans of women's sport.

In short, Sky fundamentally knows what, how and where people want to watch. As this report hopes to demonstrate - the more we anticipate the public and their viewing habits, the more we can contribute to the UK's economy into the future.

As it stands, we estimate that **Sky supported a contribution of £20 billion to UK GDP in 2022 and supported over a quarter of a million British jobs**. This is amplified by our cultural contributions to the nation. We're a major producer of original film and TV, including:



We then create platforms, technology and apps that are transforming the way we all experience great content:



But Sky's mission is to always strive for better.

The UK is a cultural powerhouse and we want to keep it that way. We have therefore commissioned new research exploring audience expectations and how these are set to evolve over the next decade. Supported by new consumer polling, segmentation and economic modelling, we thoroughly evaluated the scale of future opportunity for Sky, the wider sector and the UK over the next decade.

If we - both the sector and the UK Government - get this right, we project that the UK's media and entertainment sector could be worth an additional £10 billion a year by 2033, equivalent to almost 40,000 more jobs.





Chapter one

Sky's economic impact in the UK

Brassic



Creating growth

Sky contributes billions to UK GDP and supports hundreds of thousands of jobs nationwide. For this report, we commissioned Oxford Economics to explore and quantify the impact Sky’s presence has for families, workers and businesses in the UK.

£20 billion to UK GDP

We supported a contribution to UK GDP estimated at £20 billion in 2022. This is equivalent to around £1 in every £124 of the UK’s economic output, and is greater than the UK Government’s annual R&D budget.

255,000 UK jobs

Sky is a major UK employer and a crucial source of well-paid, highly-skilled media and technology jobs. From a career in our contact centres through to the world-leading VFX teams at Sky Studios, there is a real breadth of opportunity for everyone and through this investment Sky is contributing to the careers of the future.

Over 26,000 Sky employees work across the country, with 16 offices nationwide and our Sky TV engineers operating in every county.

Sky’s Osterley headquarters in West London is the UK’s largest creative campus, and that is where we make and broadcast

“The UK’s cultural economy creates jobs, fosters skills and boosts GDP, all whilst providing first class entertainment to audiences across the country and the world . Together, we drive prosperity and are the jewel in the crown of the UK’s economy.

As an engine of the UK’s vibrant media and entertainment industry, Sky supported a contribution of £20 billion to the UK economy in 2022. We always go further, we never rest, and we strive to bring a better TV experience to our audiences, creating more prosperity as we do so.

Sky News, Sky Sports, Sky Arts and so much more. We then also have major bases in Glasgow, Livingston, Uddingston and Dunfermline in Scotland, along with offices in Brentwood, Chilworth, Leeds, Newcastle, Sheffield and Stockport.

As well as directly employing our team, we sustain thousands more jobs through our supply chains and through the salaries we pay our people. Altogether, Sky supported an estimated 255,000 jobs in the UK in 2022.

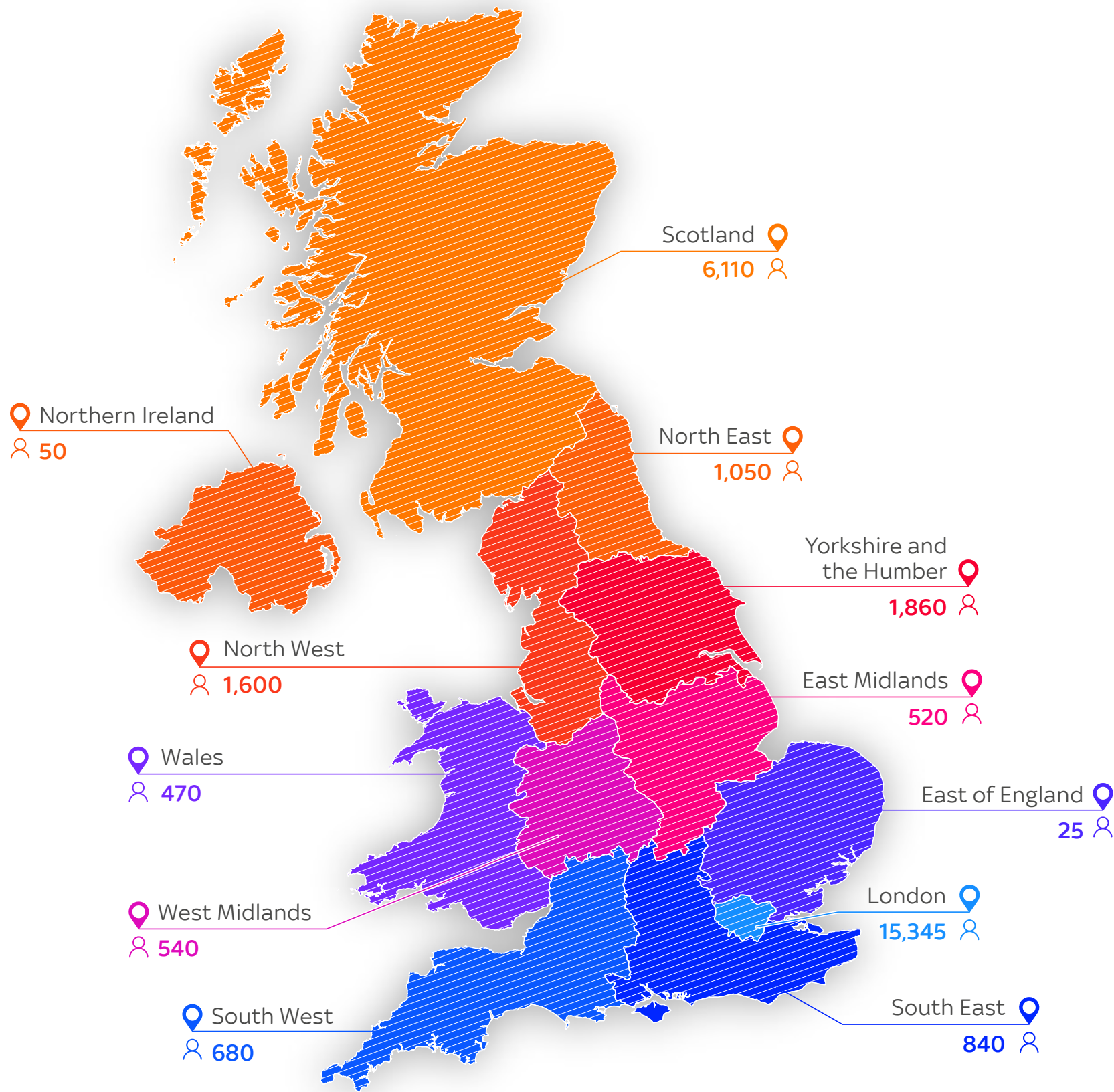
£5.4 billion supported in tax

We pay our fair share of tax. Our direct payments of income tax, corporation tax and excise duties contributed £1.4 billion to the UK Exchequer.

We also generated significant tax contributions through the goods and services we bought and through our people spending their wages. Taken together, we estimate that we supported £5.4 billion in tax revenues in the UK – enough to build ten hospitals every year.

Stephen van Rooyen, CEO, UK & Ireland, Sky & CCO, Sky Group

UK EMPLOYMENT HEADCOUNT



Serving our customers and communities

We appreciate that the economic backdrop is challenging for many households in the UK. As many households continue to face a rising cost of living and growing financial pressures, Sky is focussed on ways we can support our most vulnerable customers.

Sky has a range of measures to help keep our customers connected, as well as helping them enjoy the content they know and love. These include:

- Providing a broadband and mobile social tariff that is easily accessible for eligible customers.
- Providing value across our services, including through TV Essentials.
- Supporting our customers to manage their bills, including enabling customers to move to social tariffs without facing any early termination charges.
- Supporting communities that need it most through Sky Up including tech grants and digital hubs.

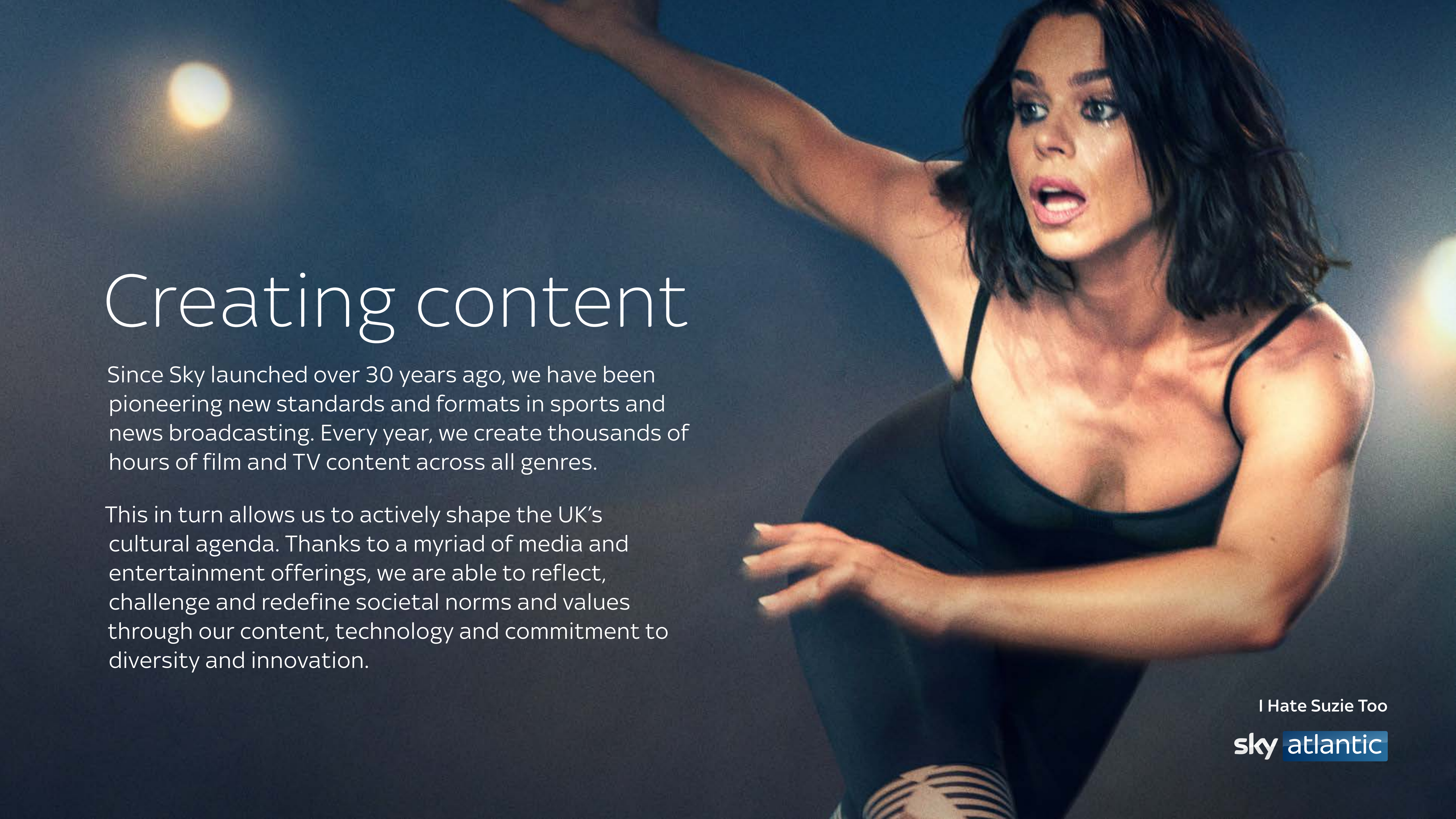
sky up

Sky has launched a £10 million fund to tackle digital inequality and provide support to a quarter of a million digitally excluded people. Our programme, Sky Up, makes a difference in three important ways. We give people access to the internet. We work with schools to raise young people's aspirations. And we give people from all walks of life the chance to build rewarding careers in media and tech.

By 2025, we aim to have supported 250,000 people. This includes under 25s in low-income areas and those over the age of 65 who lack digital skills. We are partnering with charities and organisations to create 100 new Hubs in the most vulnerable communities, providing free Wi-Fi, tech equipment and expert digital training.

We are also helping young people get and stay connected through a new Sky Up Grants programme which will see those leaving the care system given equipment and connectivity from Sky so they can access the digital world.



A woman with dark, wavy hair is captured in a dynamic pose, wearing a black leotard. She is looking upwards and to the right with an expressive face, her mouth slightly open. Her right arm is raised high, and her left arm is extended forward. The background is dark with soft, out-of-focus stage lights, creating a dramatic atmosphere.

Creating content

Since Sky launched over 30 years ago, we have been pioneering new standards and formats in sports and news broadcasting. Every year, we create thousands of hours of film and TV content across all genres.

This in turn allows us to actively shape the UK's cultural agenda. Thanks to a myriad of media and entertainment offerings, we are able to reflect, challenge and redefine societal norms and values through our content, technology and commitment to diversity and innovation.

I Hate Suzie Too

sky atlantic



Sky Sports brings fans the biggest moments from their favourite sports, week in week out. Goals, podiums, wickets, holes-in-one, knockouts, match points, bullseyes, tries and touchdowns. Our viewers can enjoy it all, live.

We recognise our power to positively contribute to the sporting ecosystem. Our relationship with sport goes deeper than broadcasting. We understand the importance not only of broadcasting sport, but acting as a great partner, which comes from years of experience. Sky's ultimate ambition is to inspire millions more people, from all walks of life, to watch, love and play sport.

Sky puts sports fans at the heart of the action

In 2022, we broadcast 70,000 hours of elite sports coverage via nine Sky Sports channels. On YouTube, Sky's sporting highlights had 1.5 billion views and we have 92 million followers across social media.

Over time, we are reaching new groups of people. Since 2019, we have added nearly three million new viewers, of which 1.3 million are women and 1.1 million are under the age of 35.



Sky Sports has been at the forefront of sports broadcasting for over 30 years, connecting fans to the moments they care most about. We strive to create the most entertaining viewing experience and we are constantly innovating on and off screen to achieve this.

We hope our live coverage - as well as how we share the biggest stories from the world of sport across digital and social platforms - is accessible to all sports fans of all ages, genders and backgrounds. We welcome everyone to indulge their sporting passions and enjoy the twists and turns of their favourite sports and events with us.

Jonathan Licht, Managing Director, Sky Sports

Sky Sports fuels sporting success

Sky Sports has increased the visibility and success of so many sports, ranging from boxing and netball to golf and motorsports. We continue to see record breaking audiences each season.

We are the Premier League's original and longest-standing partner, growing the game and connecting with millions of fans for over 30 years.

- 41% of Brits have watched at least one Premier League match in the last year.
- 8 million football fans tuned in to Sky Sports to watch the first five games of the 23/24 season.
- Over 50% more women have watched the opening of the 23/24 season than the year before.

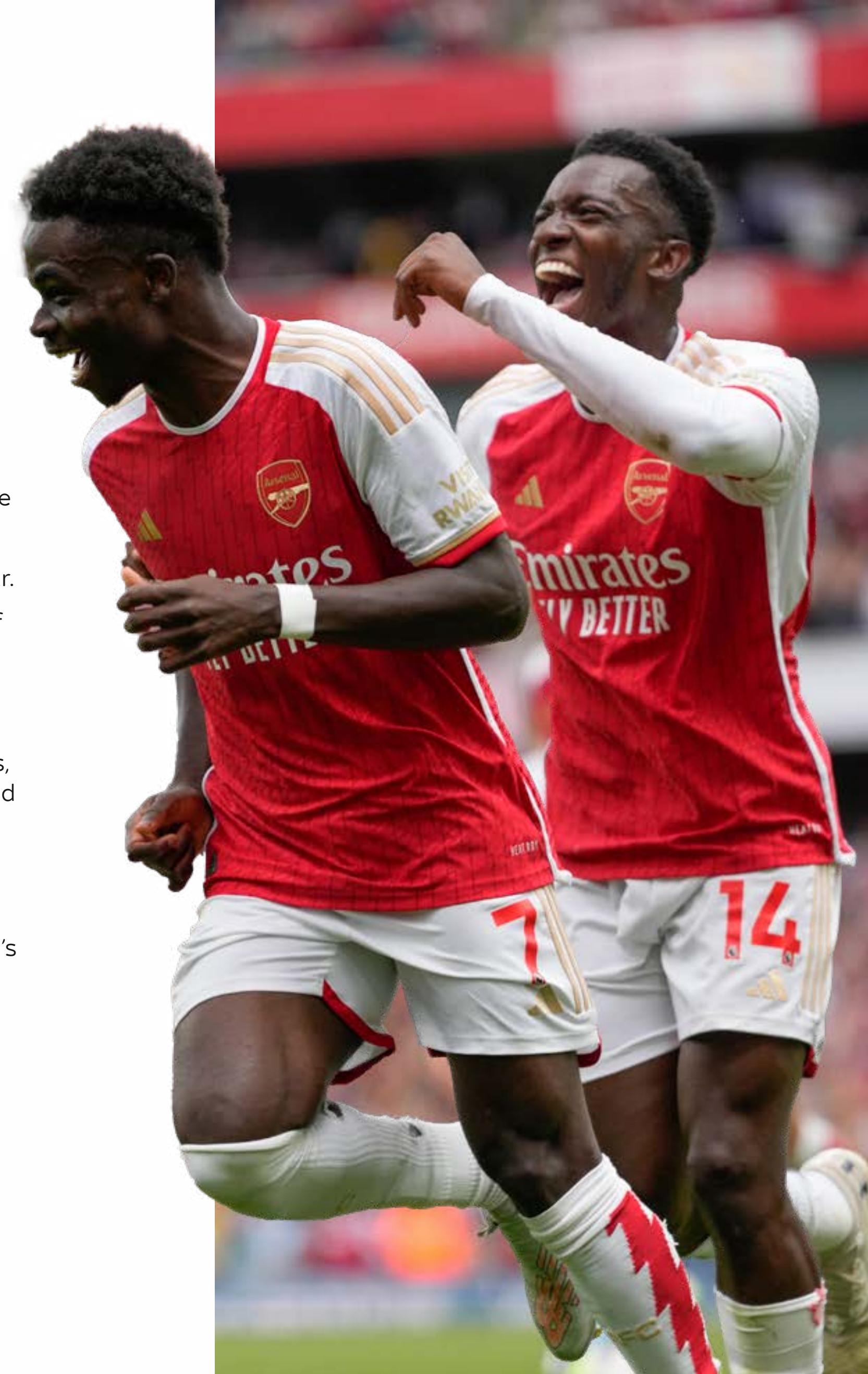
Sky has also been a key partner of cricket in the UK over the last three decades. More than 3 million people watched England triumph in the ICC Men's T20 World Cup Final in Melbourne in 2022, broadcast on Sky and Channel 4.

More recently, the England men and women's team have surpassed viewing records on Sky Sports in their 2023 Ashes fixtures:

- Over 2 million watched England beat Australia at the climax of the third men's Test at Headingley.
- 795,000 watched the Women's side claim victory over Australia in the T20 series at Lord's.

Sky Sports has worked closely with the ECB to bring The Hundred to life, attracting millions of viewers to men and women's matches. In 2023 we saw record breaking numbers tune in to watch:

- The Men's Hundred averaged 297,000 per game (up +4% on 2022).
- The Women's Hundred averaged 150,000 (up +13% on 2022).



Sky is the UK's biggest investor in women's sport

We broadcast more hours of women's sports than any other broadcaster, and this year we're proud to be showing more than ever before - including the Ashes, Cricket World Cup, Netball Super League and World Cup, Solheim Cup, US Open tennis, Women's Super League, women's boxing, and more.

We're particularly proud to play our part in the growth of women's football, having signed a landmark deal to broadcast the Women's Super League alongside the BBC. The 2022-2023 season was record-breaking on Sky Sports, with a 45%

increase in viewers - meaning that the audience for the Women's Super League has quadrupled in size since our partnership began. A quarter of our audience (24%) were under 35 and a third (36%) were women.

Dedicated social media content across Sky Sports' WSL TikTok and SnapChat offers a more diverse range of fans than ever before exclusive access to WSL content. Even better, survey data shows that 100,000 more girls are playing football compared to 2017-2018.



Sky Sports has an ongoing partnership with the Women's Sport Collective, the networking group driving positive change for women in sport.

The initial collaboration in 2021 was born from a shared desire to help shape the industry to become a more accepting and inclusive environment for women. This continued partnership and investment from Sky Sports ensures the Women's Sport Collective remains free to all members and an integral part of the sports industry.

The network, co-founded by Sue Anstiss MBE and Kate Hannon, has reached almost 4,000 members and includes women working in all areas of sport at all levels from governing bodies, teams and agencies through to charities, media organisations and brands on a global scale.



Sky helps to boost participation in sports

A third of British adults agreed that watching sport on TV encourages them to exercise more. And Sky wants nothing more than to support new participation in sport, driving investment, fueling grassroots clubs, improving facilities and helping to inspire the next generation. More fans in stadiums. More kids in local teams. More girls fulfilling their potential. Overall, more love for the UK's sport.

Over time, our investments in sport have enabled huge increases in grassroots spending, enabling more people to play the sports they love. This year alone, 10,000 children will get the chance to have a free taste of cricket through Sky Dynamos Intros, while many, many more will benefit from facilities and opportunities to play which are only possible because of Sky's partnership.



Sky is at the forefront of sports broadcasting innovation

To enhance the fan experience, Sky has recently opened a brand new state-of-the-art studio which has many features which have never been seen before as part of sports broadcasting in the UK & Ireland, and will create a more immersive viewing experience.

The studio features a super-wide, high-res screen, virtual canopy roof, integrated AR and a versatile LED floor – which allows analysts and presenters to use the data available to run through tactics

and key movements in play, giving audiences a new understanding and perspective of the live match action. For the return of the US Open tennis to Sky Sports, the 'fourth wall' in the new studio enables viewers to be transported to the Arthur Ashe Stadium in a 360 degree immersive environment.

This investment demonstrates Sky's commitment to continuing to provide the most entertaining viewing experience possible of the biggest and most-loved events in the sporting calendar.



Kick It Out

We believe that sport is for everyone. And no one should be excluded. Sky is therefore partnered with Kick It Out to raise awareness of racism and to root it out of sport.

Kick It Out was established to fight racism in football in 1993, before expanding to tackle all forms of discrimination. Since the beginning, the campaign has made huge progress on and off the pitch, leading the charge for positive change.

Today, Kick it Out runs education programmes for academy players, parents and fans. They campaign to make sure football is always welcoming, be it in the local park, Premier League or across social media feeds. They also support people from under-represented and minority communities to make a career in football.



In an age of information overload, our job at Sky is simple. We help our audiences make sense of what is happening in the world, by offering journalism that is accurate, independent and trustworthy.

81% of British adults agree that access to impartial news is more important than ever before. 86% agree that high quality, independent news should be freely available. Sky News builds trust by taking our audience to the heart of where a story is unfolding, providing eyewitness reporting by the best journalists and experts, breaking down and often questioning the prevailing narrative.

Sky delivers high quality news to millions of people for free

Sky News brands based in the UK and Italy are viewed by over 50 million people across the world every month. In 2022, we invested over £130 million to bring our award winning journalism free of charge. More than 800 journalists work at Sky News to capture the stories that define our times. We bring people the latest updates through:

- Breaking news – the big news events and scoops.
- Eye-witness journalism – taking people to the heart of a story.
- Explanation & analysis – our specialist journalism, data & forensics and in-depth reporting.

According to Ofcom research, Sky News scored the highest of all measured UK channels when it comes to trustworthiness, accuracy and impartiality. Ofcom found that 8 out of every 10 people feel Sky News helps them understand what is happening in the world with high-quality reporting.

Sky News has just won the Royal Television Society's 'News Channel of the Year' award for the sixth year in a row. In recognition of an incredible 2022, reporting on the war in Ukraine, Sky News correspondent Stuart Ramsay was named TV Journalist of the Year by the Royal Television Society.

Sky News breaks the news that matters

The way people consume news is changing. In 2022, approximately 7.5 million people in the UK learnt about Queen Elizabeth II's death from verified social media platforms and 66 million combined users kept up-to-date with Russia's invasion of Ukraine during the first month across our platforms.

Sky News sets the pace of the news environment to ensure that we reach as many people as possible. Every month, around one in three people in the UK connect with Sky News on TV, on our website or online.

Around 35 million people watch the Sky News livestream and videos on YouTube. Meanwhile, in 2022 Sky News was the fastest growing authorised UK news channel on TikTok. To date, we have amassed over 4.5 million followers and 52 million views – with these figures rising every day. We reach the new generation of viewers with news stories that matter to them.

Estimated

35m

people watch the Sky News livestreams



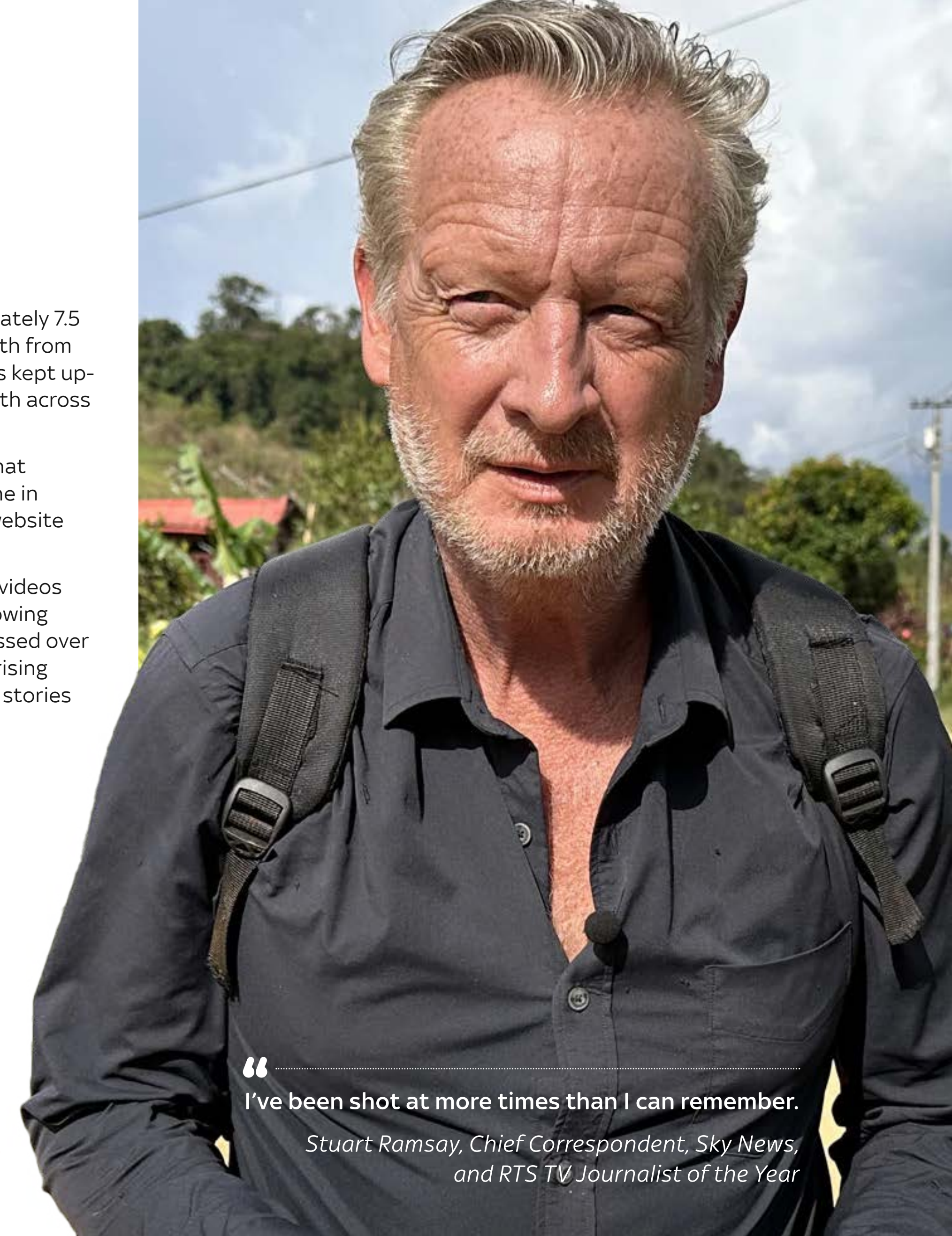
Our journalists put themselves in the line of fire to bring you stories from the frontline. Their first-hand testimony bears witness to the events that are shaping our shared history. While other TV networks are scaling back on their international news coverage, we continue to invest.

David Rhodes, Executive Chairman, Sky News Group



I've been shot at more times than I can remember.

*Stuart Ramsay, Chief Correspondent, Sky News,
and RTS TV Journalist of the Year*





At Sky, we take the best of British creativity and share it with hundreds of millions of people across the globe. Over the past 10 years, Sky Originals like Chernobyl, Brassic, and I Hate Suzie have consistently entertained audiences at home and overseas.

Sky creates unmissable original film and TV

At Sky Studios, we develop, commission and produce unmissable programming for Sky's customers across Europe. In 2022, Sky invested £500 million in new, original content, airing more than 150 Sky Original series and receiving 27 BAFTA nominations.

We are proud to be working on projects with world-class creatives such as the Academy-Award winning actors Julianne Moore and Eddie Redmayne, BAFTA-winning director Joe Wright, and globally renowned composer Hans Zimmer. Alongside this, we are proud to develop and support new talent on and off-screen through the production of our Sky Originals and through dedicated talent schemes with industry partners.

“Our teams partner with the best production companies and talent globally, to drive creative excellence and tell original stories that are loved by audiences the world over.

Cécile Frot-Coutaz, CEO, Sky Studios

Sky invests in the best of British creativity

The UK is a global powerhouse for film and TV production. Comedy, drama, documentary, kids, movies – we make original content in every genre, supporting home-grown talent.

“At Sky, we believe in delivering our customers content worth paying for. Gripping scripted series, jaw-dropping documentaries, show-stopping movies, the best of the arts, and thoughtful, creative kids' content.

Zai Bennett, Managing Director of Content, Sky UK and Ireland

In 2022, the first production started at Sky Studios Elstree, our new state-of-the-art film and TV studio. Sky Studios Elstree is projected to attract £3 billion of new production investment to the UK in its first five years and create up to 2,000 jobs.

There is a real appetite for British content both at home and overseas. Almost half (46%) of British adults say they are more likely to watch a TV show set in the UK. When we explored this further, 30% said they like to watch British content because they like seeing British landmarks they recognise and 45% said they enjoy the British sense of humour.



ScreenSkills

The UK screen industries' global success depends on a skilled and inclusive workplace. Sky is therefore proud to partner with ScreenSkills, an industry led skills body for film, TV, VFX, animation and video games.

ScreenSkills supports continued growth and future innovation by investing in the professional development of the sector's workforce. The organisation identifies skills gaps, both current and future, and supports progression through every stage of a career in screen through mentoring programmes and bursaries.



Sky delivers the best of British and best of the US

Delivering a diverse lineup of shows and movies that have wide appeal, across all genres, is really important to us. With Sky Original fan favourites such as Brassic and Gangs of London, plus entertainment shows like A League of Their Own and Never Mind the Buzzcocks, we are proud to support homegrown, creative talent.

We also know that British viewers enjoy a range of international content. We love US story-telling and

we offer customers access to brilliant shows from all major US Studios including Sony, NBCUniversal, Warner Brothers and Paramount, as well as being the exclusive home for award-winning content from our partners HBO. When asked, almost one in five British adults say they have discussed, debated or speculated about The Last of Us with their friends, and one in ten said the same about House of the Dragon.

Birmingham Rep

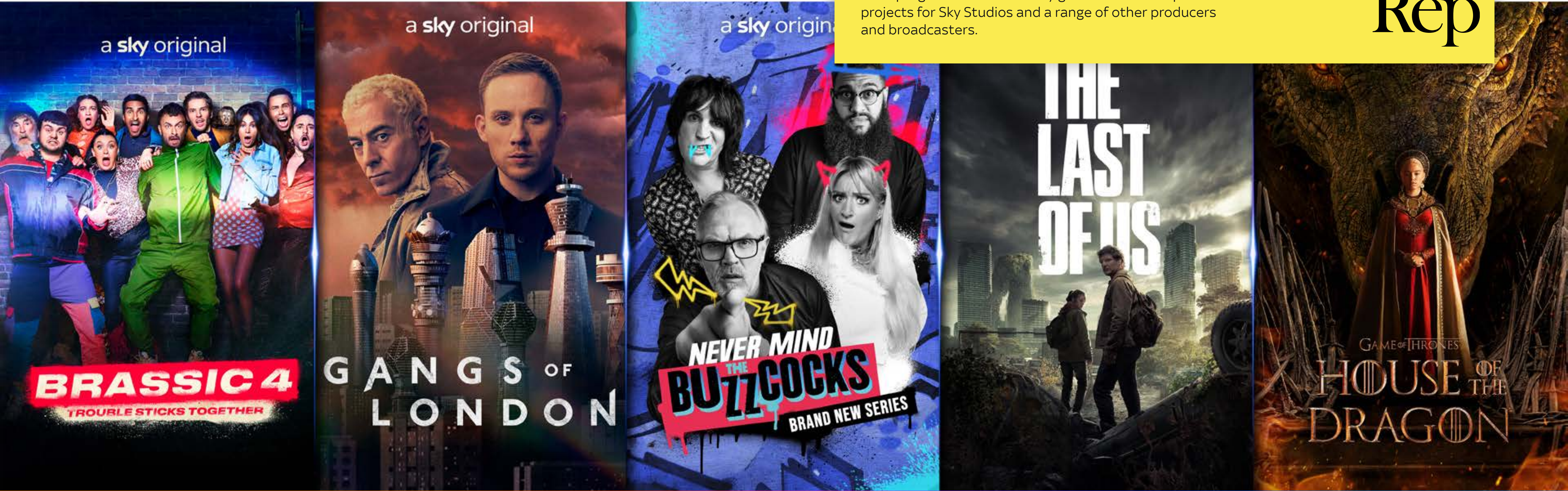
Sky's partnership with the Birmingham Rep enables up-and-coming comedy writers to kick-start their careers in the industry. In addition to providing training, mentoring and a professional showcase, Sky Comedy Rep gives new British comedy writing talent the opportunity to gain their first commercial writing credit.

The scheme has now completed its second year, supporting aspiring writers from across the UK - including Salford, Stoke-on-Trent, Durham, Manchester and Birmingham. Meanwhile writers from the 2021-2022 programme have already gone on to develop projects for Sky Studios and a range of other producers and broadcasters.

BIRMINGHAM REP AND SKY STUDIOS PRESENT



the Rep





We believe there is an artform out there for everyone and we are excited to help people find it. The more people are able to make and enjoy the arts, the better the world becomes.

From Glyndebourne to Grime, and Cézanne to The Style Council, Sky Arts showcases the best of classical and popular music, theatre, opera, dance and the visual arts.

Sky connects millions to the arts, for free

We made a splash in 2020, when Sky Arts went free to air, becoming available for everyone. Since then more people than ever are accessing the arts, with audience figures for Sky Arts increasing by 150%.

Sky Arts offers a fantastic platform to artists and artistic organisations to share their work, but also allows everyone across the UK equal access to documentaries and performances from Kylie, Ed Sheeran and U2, to Matthew Bourne's Swan Lake or Wagner's Ring Cycle.

We are proud to be the headline sponsor of National Theatre Live and we work with cultural partners including the English National Opera, Royal Academy of Arts, Tate, and Creative UK.

We know that a third (34%) of British adults would go to the theatre more if they could afford to and a fifth (21%) would go if there were more plays taking place nearby. Sky Arts offers a free, convenient and diverse option that can be accessed by everyone.



The Big Hay Weekend



Sky inspires millions of people to participate in the arts

We are doing our bit to keep us all dancing, singing, painting and making. Popular series such as Portrait Artist of The Year, Landscape Artist of The Year and Tate Britain’s Great Art Walks all hope to inspire British audiences to explore new hobbies and interests for themselves.

Over 50,000 people participated in Sky Art’s live paint-along series, Portrait Artist of the Week. Our research shows that one in ten of British adults have tried a new creative hobby such as painting, music, photography after being inspired by a TV programme. Meanwhile, a fifth of British adults have read a book after seeing it recommended on a TV programme.

“ The more we create and engage with art, the better the world becomes. The arts should be available to everyone, whatever their background or circumstance, and the UK’s cultural economy is key to the UK’s success. At Sky, we use our position to ensure the arts thrive and are always accessible.

Philip Edgar Jones, Director of Sky Arts and Entertainment



Access All Arts Week

Access All Arts week is a nationwide, week-long celebration of the arts, specially designed for primary schools. Sky helps teachers take their pupils on a creative adventure with a whole host of brand-new, completely free, curriculum resources.

In 2022:

- Almost 8,000 schools participated
- With 13,500+ teachers registered
- Reaching 361,000 children

Our classroom-ready resources cover ten different art forms, including singing, poetry, film and drama, as well as 2D and 3D mark making. The initiative is supported by leading artists and celebrity ambassadors such as Stephen Morgan, Joseph Coelho, and Johanna Basford OBE.



Access All Arts week

Creating new streaming experiences

There is more choice than ever when it comes to what, where and how audiences can access entertainment. But this choice is sometimes overwhelming. We estimate that **the average consumer spends 27 hours a year searching for the right thing to watch**. This is almost equivalent to watching all four series of Succession back-to-back.

Sky brings the world's best film and TV together

Sky has invested hundreds of millions of pounds in Sky Stream, Sky Glass, Sky Live and Sky applications to ensure our products and services offer cutting-edge access to the best content. We want to accelerate the “speed to joy” journey so that our customers can find what they want to watch in seconds.

In 2022, 8 out of 10 Sky Stream customers were new to Sky, meaning that this simpler, smarter streaming experience is winning over new consumers.

Sky entertains people wherever they are

In a world of smartphones and tablets, consumers rightly expect high-quality entertainment to be entirely portable. Our research confirms that almost one in five British adults watch video content multiple times a week whilst on the move.

That is why we innovate and develop Sky applications which enable our customers to access Sky content through the Sky Go, Sky Sports, and Sky News apps, as well as our popular streaming service NOW. Providing this wide range of options for streaming has allowed users to access the exclusive content available from Sky whenever they want, at home and on-the-move.

Sky pioneers new technologies in the UK

In 2022, we continued to invest in our streaming products, developing world-leading products and services right here in the UK. Through syndication, our partners in three continents are now using our British technology to give their customers the best streaming experience on the market.

In 2022, Sky Glass was the best-selling 55 and 65 inch ultra high definition TV in the UK, and the third-best selling TV brand overall. Sky Glass is also the world's first certified CarbonNeutral® TV.



We're excited about the future of the TV experience. It's already the heart of entertainment in your home and we think it could be much more. Our streaming products are attracting a new generation of customers who can easily enjoy the amazing TV content on offer, as well as chat to family and friends, play games, and workout in interactive ways from the comfort of their living room.

Fraser Stirling, Global Chief Product Officer, Comcast and Sky





Chapter two

Understanding what people want

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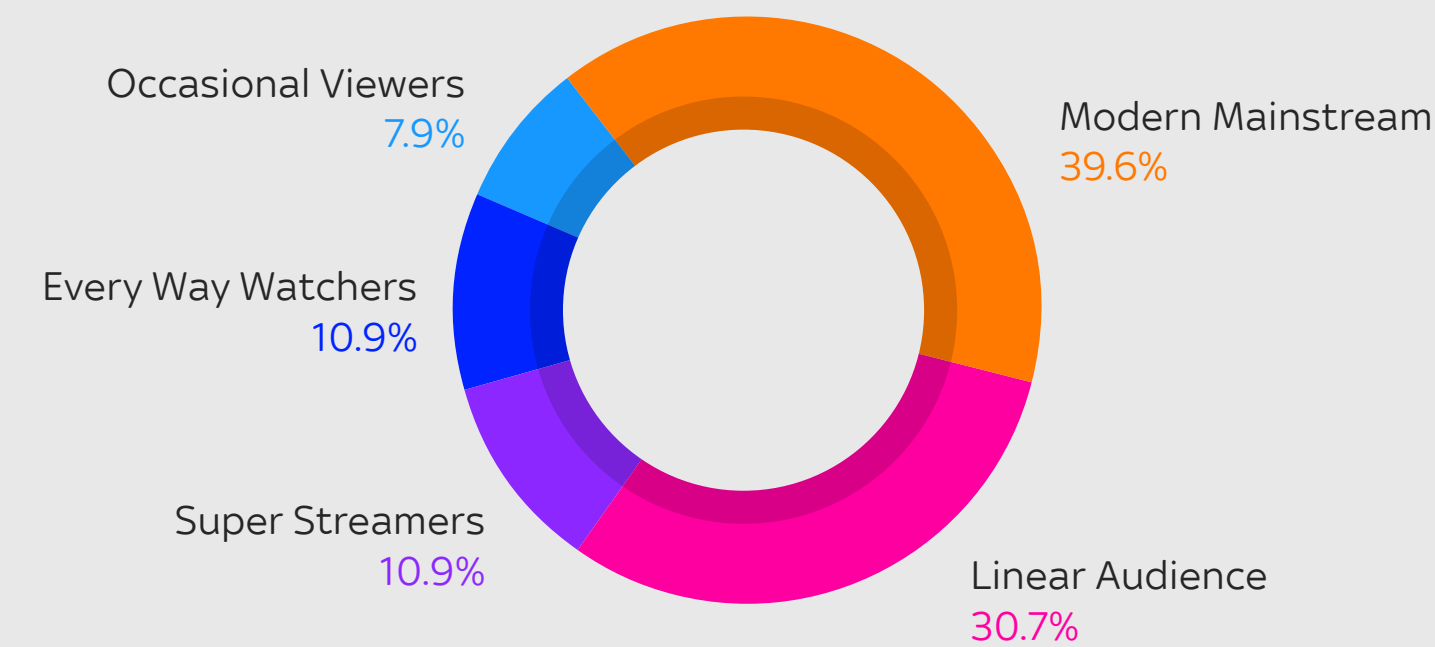
Who is watching and how

In a time of intense technological transition and increased competition for attention, it is more important than ever to understand the British public. Different people have different tastes, and viewing habits are constantly adapting – leading to new trends in audience behaviour.

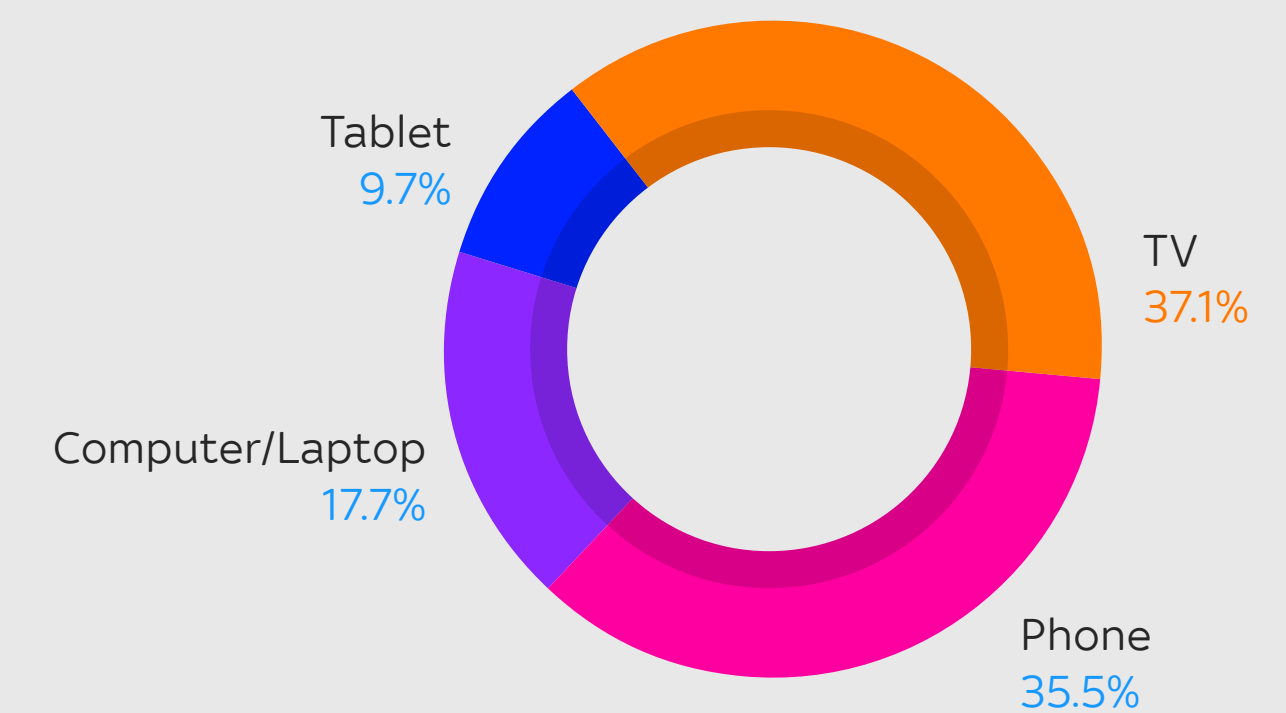
For Sky, at the very heart of this change is the customer. We always need to be ahead of the game when it comes to what, when, where and how our viewers want.

We have therefore worked with Public First to use new consumer polling and modelling to segment the different types of audience in the UK, and give a flavour of how they spend their time. Each individual is, in many ways, unique. But by identifying overarching commonalities, we have identified five dominant clusters that are primarily characterised by the frequency with which they watch video content across a range of devices.

VIEWING HABITS OF UK ADULTS



DEVICES USED BY “MODERN MAINSTREAM” TO WATCH VIDEOS EVERY DAY

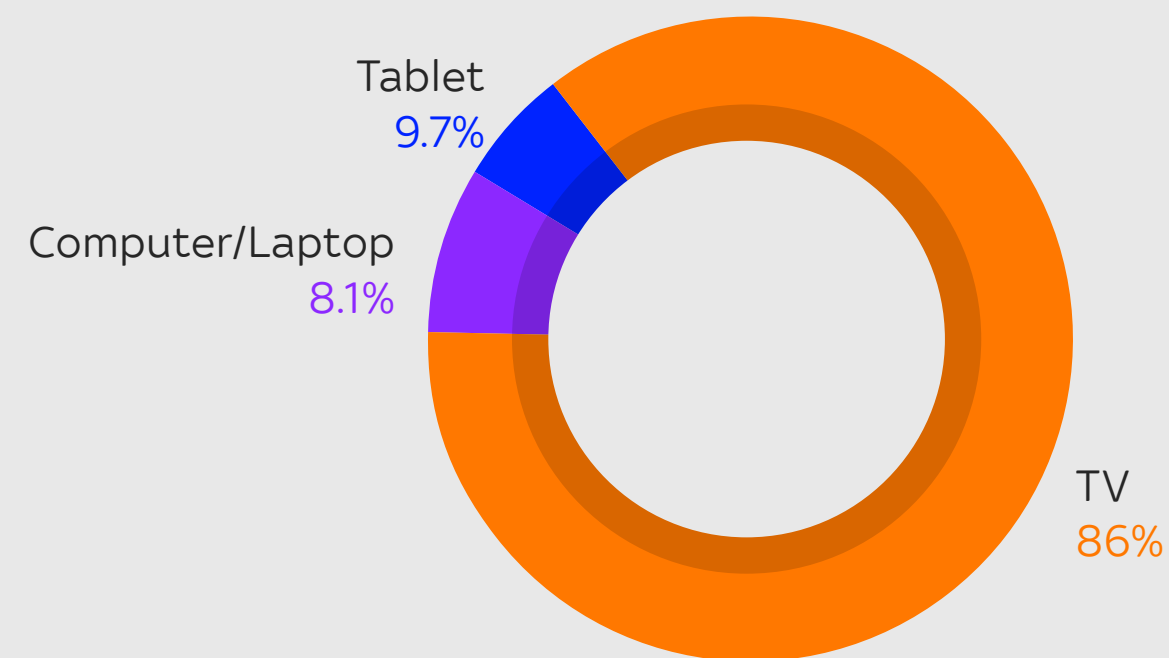


Modern Mainstream: 40% population, around 22 million adults

This is the biggest cohort of consumers, whose viewing habits are concentrated on TV and smartphones. They are equally likely to watch linear channels and streaming services, and spend a few hours a week on video sharing apps too. It is pretty common for them to have the TV on in the background whilst doing something else.

- Average age: **Early 40s**
- Watches on: **TV set or smartphone**
- Mostly watches: **Linear TV channels or streaming services**
- Enjoys watching: **Documentaries, sitcoms & crime**
- Most likely to: **Watch live broadcasts of sports**

DEVICES USED BY “LINEAR AUDIENCE” TO WATCH VIDEOS EVERY DAY

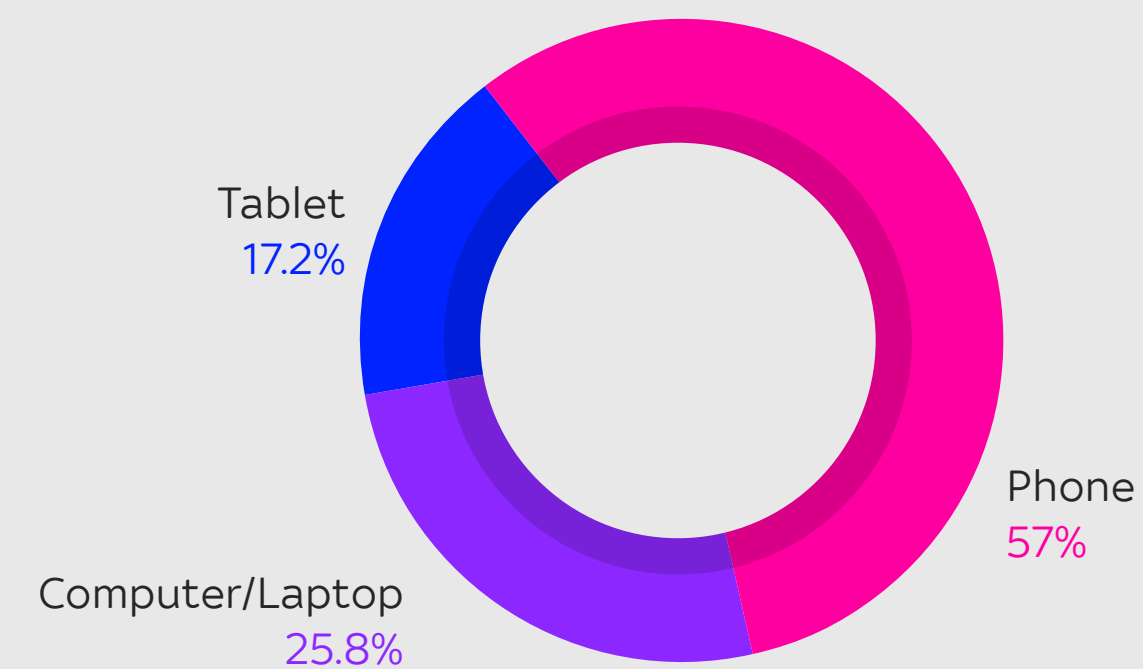


Linear Audience: 30% of population, around 17 million adults

These individuals watch content on a TV, and do not really use other devices or channels to access video entertainment. When they watch something, it likely has their full attention and they are particularly big champions of British-made content.

- Average age: **Late 50s**
- Watches on: **TV set**
- Mostly watches: **Linear TV channels**
- Enjoys watching : **Drama, crime & news**
- Most likely to: **Watch live broadcasts of news**

DEVICES USED BY “SUPER STREAMERS” TO WATCH VIDEOS EVERY DAY



Super Streamers: 11% of population, around 6 million adults

This group does not really watch linear television, but streams plenty of content on mobile devices such as their phone, laptop or tablet. They tend to be younger, watching short-form content most days and spend much more time watching video sharing apps like YouTube or TikTok compared to other groups.

Average age: **Mid 30s**

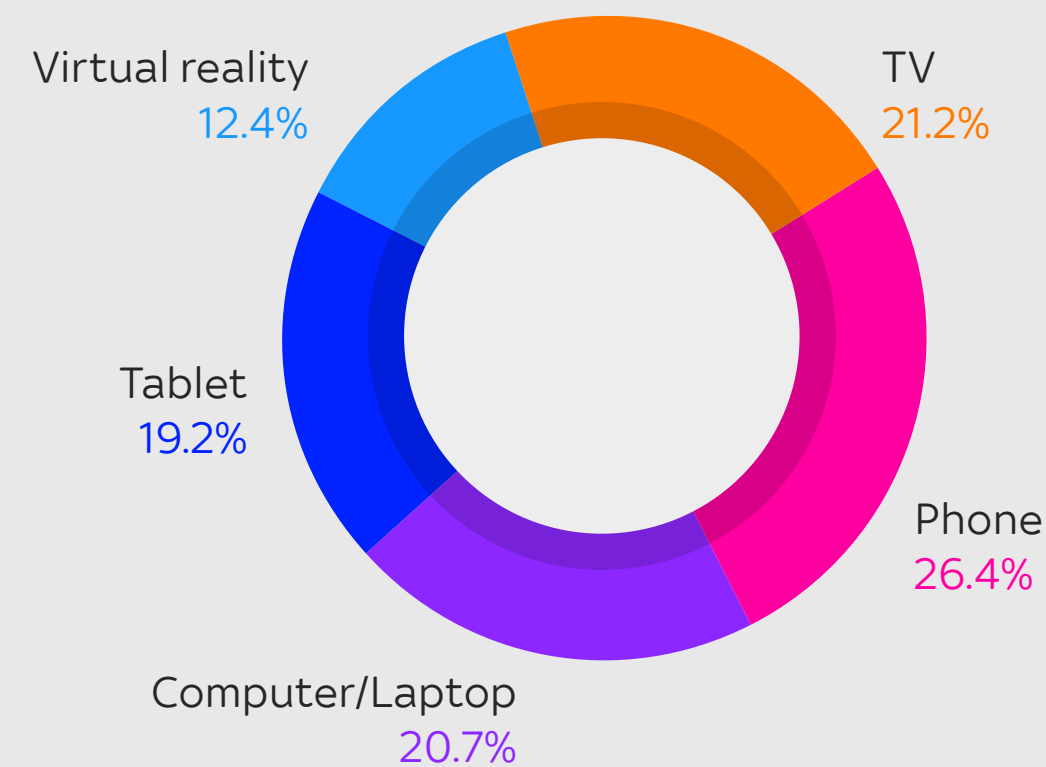
Watches on: **Smartphone**

Mostly watches: **Streaming services or video sharing apps**

Enjoys watching : **Documentaries, crime, & sitcoms**

Most likely to: **Have gone clubbing in the last year**

DEVICES USED BY “EVERY WAY WATCHERS” TO WATCH VIDEOS EVERY DAY



Every Way Watchers: 11% of population, around 6 million adults

This group watches the most hours of content a week, and watches across a variety of devices and mediums. They often swap between devices half-way through a programme and like to watch programmes whilst on the move. They are the highest earning group, the most interested in new technology, and also the most likely to have young children.

Average age: **Early 30s**

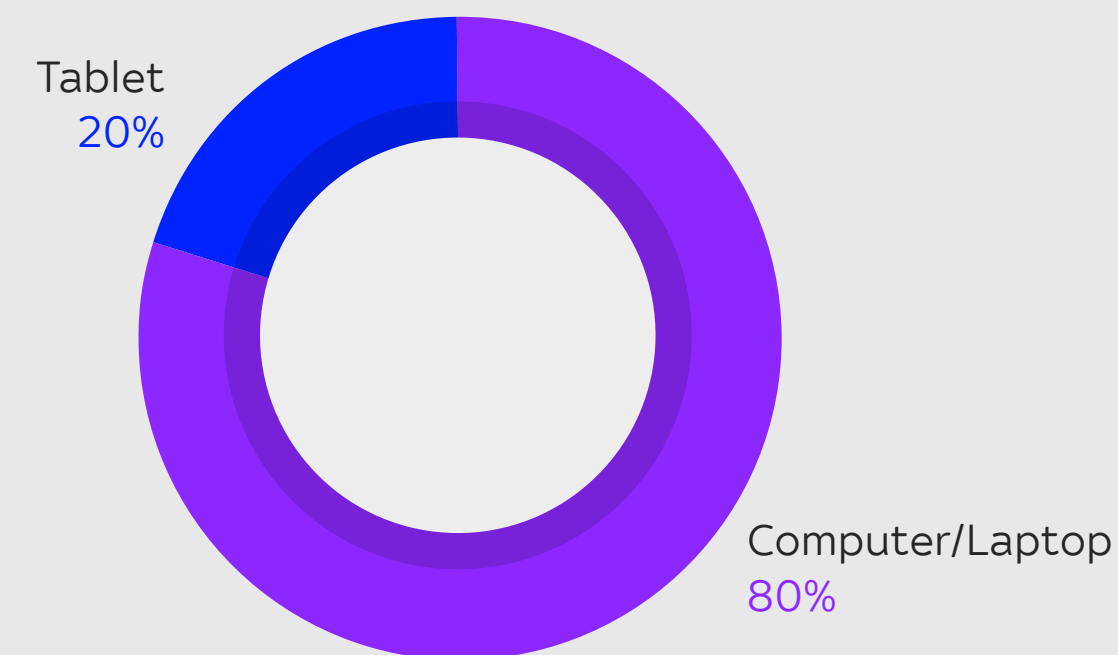
Watches on: **TV set, Smartphone, Computer or Laptop, Tablet – even Virtual Reality Headsets**

Mostly watches: **A balance across TV channels, streaming, video sharing or catch up**

Enjoys watching: **Drama, sports & sitcoms**

Most likely to: **Watch livestreams on platforms like YouTube or Twitch**

DEVICES USED BY “OCCASIONAL VIEWERS” TO WATCH VIDEOS EVERY DAY



Occasional Viewers: 8% of population, around 5 million adults

Occasional viewers do not watch much content on any medium. They are much more likely to be a woman, and more likely to be a bit older. They'll watch a little bit of content every day on their tablet or computer, and then will settle down in front of a TV a couple of times a week. They also tune in for national events like the King's Coronation.

Average age: **Late 50s**

Watches on: **Tablet, Computer/Laptop & TV set**

Mostly watches: **Linear TV channels**

Enjoys watching : **Documentaries, drama & news**

Most likely to: **Be retired**

WHO WATCHES THE MOST CONTENT EACH WEEK OVERALL?

1

Every Way Watchers

2

Modern Mainstream

3

Linear Audience

4

Super Streamers

5

Occasional Viewers

Chapter three

Our future potential



Rob & Romesh Vs

sky max

Looking ahead

Sky is always looking ahead. We have consistently revolutionised how people enjoy content, and do not intend to stop now.

From our perspective, change represents a positive opportunity for growth. We have worked with Public First to properly quantify how this opportunity is likely to evolve over the next ten years. These new projections take into account the exponential rise of new technologies, as well as the shifting demographics of our audience.

Above all, we continue to see clear market potential for the British media and entertainment industry. We are confident that audiences will continue to watch a choice of high-quality, British-made, programming –and that we can continue to take the lead on the global stage.

What will change over the next decade?

The world never stands still. The last decade witnessed staggering innovation, including the mobile revolution, 5G rollout, blockchain, the rise of generative AI and smart home integration. The next ten years will be no different.

The future success of the British media and entertainment sector inevitably depends on how well we adapt to change, both in terms of technological developments and consumer habits. This will include:

Move to IP-delivered streaming

The steady rise of streaming will likely continue the trend away from linear satellite or cable television. According to our consumer polling, 86% of Brits under 65 already watch some kind of streaming service each week, compared to the 82% who tune into an aerial TV channel. This coupled with new smart TVs coming to the market, including our own Sky Glass, is set to shift the ecosystem away from traditional transmission altogether.

Increasingly personalised content

As data analytics and AI technology advances, content producers and curators like Sky will be able to an increasingly bespoke entertainment journey. This will ensure that consumers are not overwhelmed by the enormous choice of streaming content available to them. Data-driven insights will navigate viewers through to the best films and shows to suit their mood, expanding their horizons with the touch of a button.

Evolving devices

The technologies we use to watch content are undergoing a constant revolution. From TVs to smartphones, constant improvements in functionality, sound quality and screen resolutions offer a more and more lifelike viewing experience. Immersive technologies are then also becoming more ubiquitous. According to our research, one in ten adults already use a VR headset to watch video content at least once a month. Plus, new voice and motion control tools – such as those offered by Sky Live – will change how households interact with their dynamic devices.

Popularity of short-form content

Audiences will continue to enjoy short-form video content, where clips are typically under 10 minutes. Our polling shows that 75% of Brits are spending time on video sharing apps or websites such as TikTok or YouTube each week – and Sky has also seen a swell in popularity for short form content delivered across its platforms.

Growth of user generated content

Video production has been democratised by the rise of smartphones and social media apps, putting pressure on production companies to raise the bar. Ofcom research shows that YouTube “videos uploaded by the general public” is the third most popular genre amongst adults who watch short-form content at least once a month, only behind “how to” videos and news content.¹ In the future attention economy, professionally produced content will remain in tough competition with user-generated entertainment.

New competition from global content

The UK has long been a global player in TV & film production. However, the contemporary media landscape offers new access to content from diverse international markets, transcending linguistic and cultural barriers. This presents an opportunity to introduce a wider range of narratives to British audiences – and British-made productions will also need to keep pace with the creative energies on display around the globe.

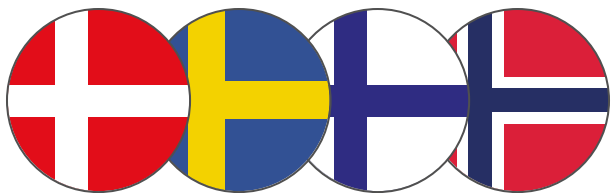
MOST POPULAR REGIONS FOR INTERNATIONAL CONTENT ACCORDING TO BRITS



1 USA



2 Australia



3 Scandinavia

Finland, Sweden, Denmark or Norway



4 South Korea



5 Canada

¹Media Nations 2023, Ofcom (August 2023)

What does this mean for UK audiences?

Audience viewing habits and expectations are continuously evolving. This in turn will shift the market demands for high-value British TV and films. We have sought to quantify what will change, and also identify where our media and entertainment sector will find opportunities for growth.

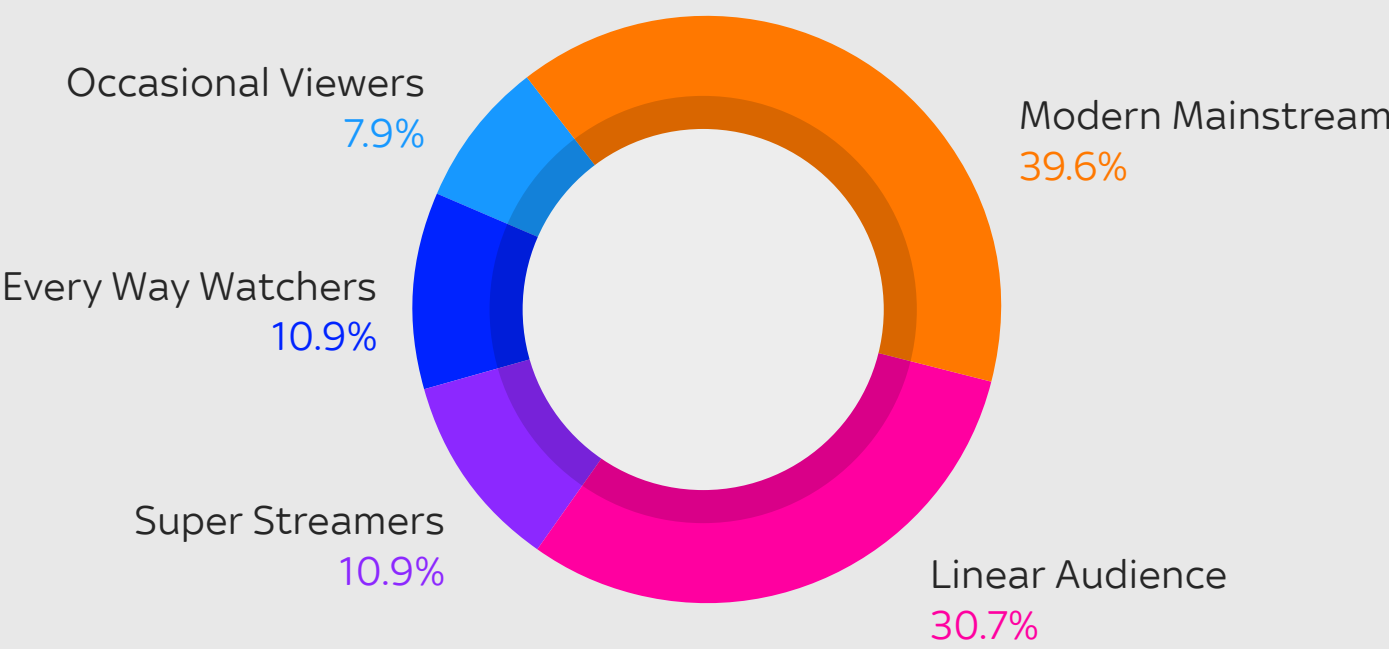
By combining our segmentation with new predictive modelling, we have forecast how the balance of consumer clusters will shift, and what this means in economic terms for our sector. Our analysis shows that we can expect to see a growing number of so-called “Super Streamers” and “Every Way Watchers”, along with a significant decrease in the proportion of “Linear Audience” and “occasional viewers”.

Our projections reveal three consistent opportunities when it comes to audience demand over the years to come. We believe that the majority of UK consumers will continue to:

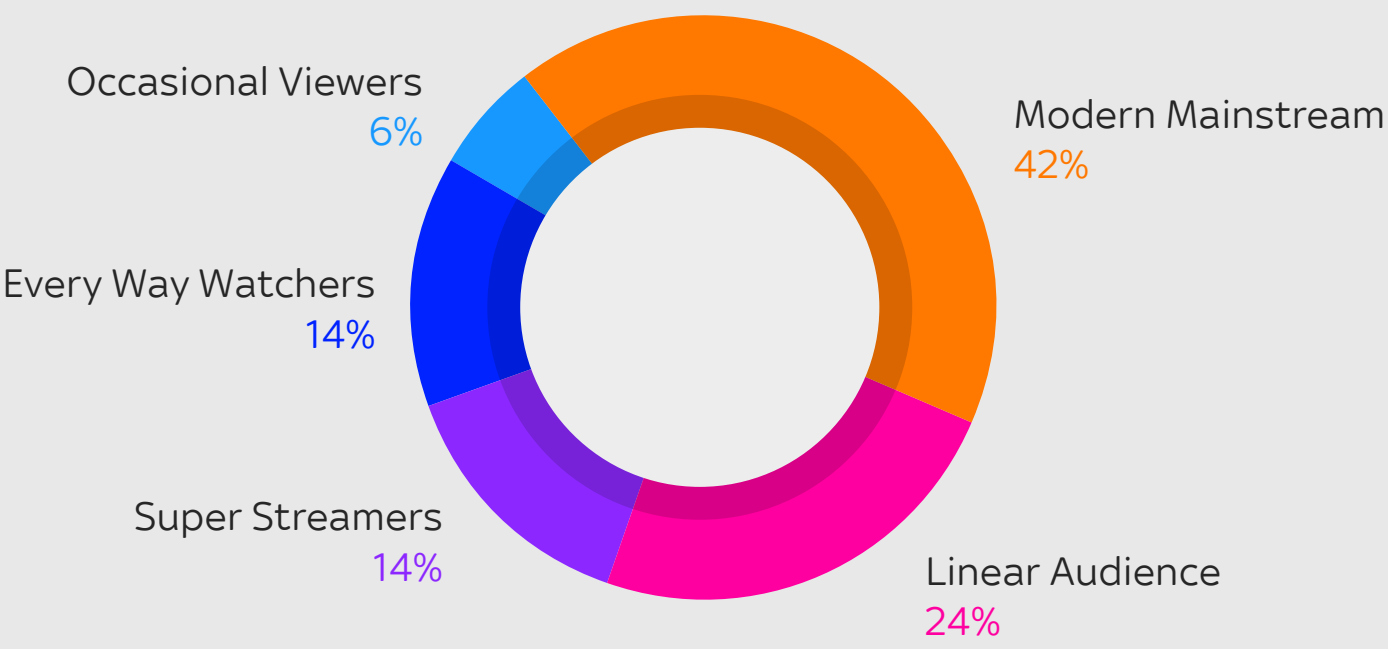
- 1. Want a wide range of choice, both in terms of genre and sources of entertainment.
- 2. Tune into live broadcasts for current affairs, sports and national “moments”.
- 3. Want to watch British-made TV and film productions.

Audiences have near-infinite choice when it comes to content. And they are grabbing this choice with both hands. Viewing appetites are voracious, from live, impartial news through to maximum impact cinema. Yes, some of this will come from user-generated content on social media: but the future is expansive, with a clear role for high-production value content in the mix too.

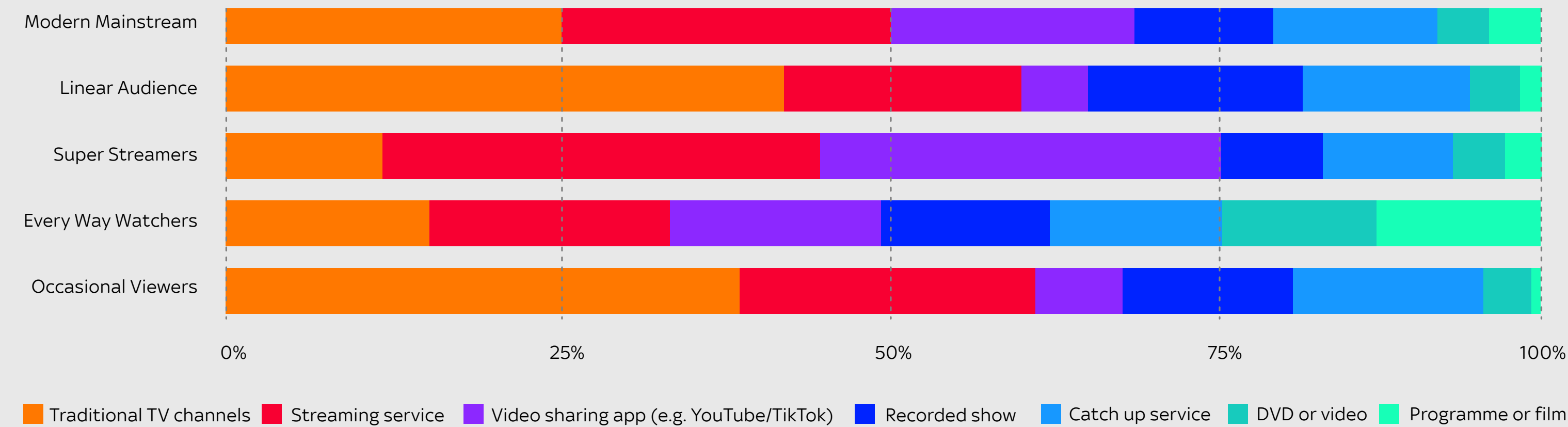
VIEWING HABITS OF UK ADULTS 2023



VIEWING HABITS OF UK ADULTS 2033



HOW THEY SPLIT THEIR TIME



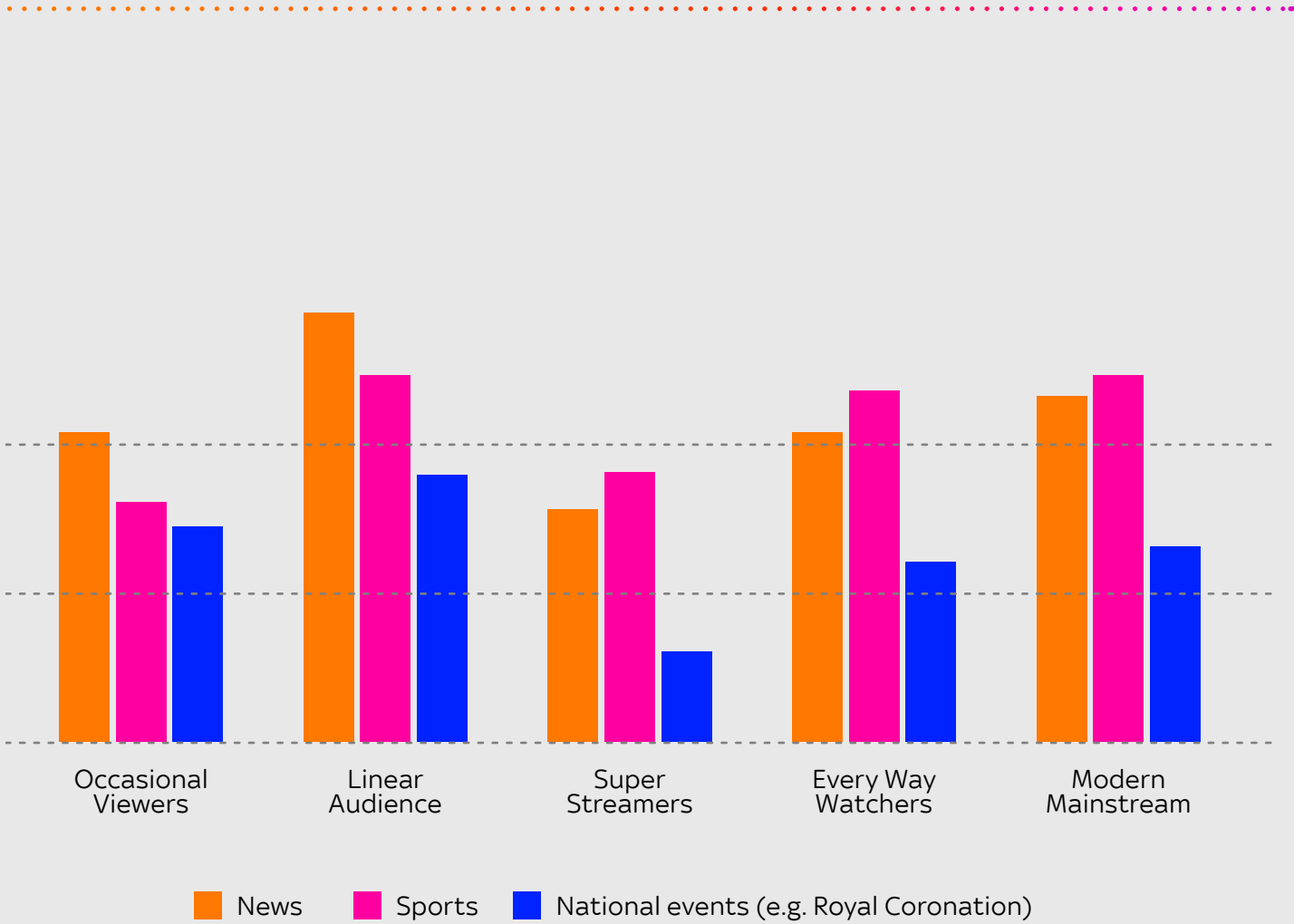
If we focus on the two fastest growing clusters, who we have termed “Super Streamers” and “Every Way Watchers”, it is clear that there remains strong demand for a diverse range of content genres.

Most popular content genres		
	Super Streamers	Every Way Watchers
1	Documentary	Drama
2	Crime	Documentary
3	Sitcom	Music
4	Drama	Sport
5	Music	Sitcom

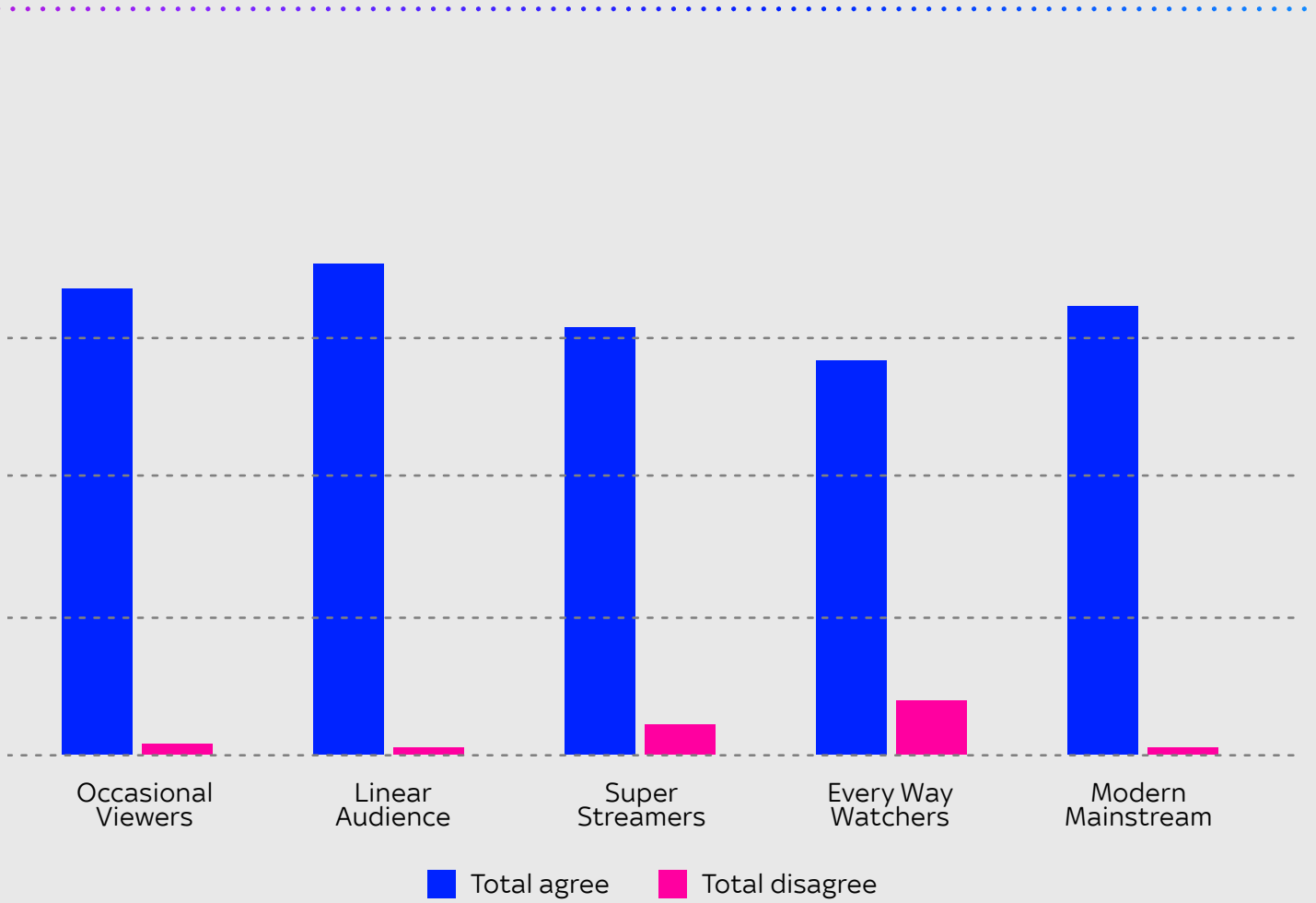
There then are certain events where individuals from all clusters will seek live coverage: particularly when it comes to sport, news and national “moments”. In 2022 the most watched TV programmes were the FIFA World Cup and HM Queen Elizabeth II state funeral – attracting an average of 16.1 million and 13.2 million viewers respectively.² Consumer preferences indicate that this trend is set to continue.

Indeed, there is particular consensus across all the clusters that having access to impartial news is more important than ever.

WHAT DO BRITISH ADULTS LIKE TO WATCH LIVE?



HAVING ACCESS TO IMPARTIAL NEWS IS MORE IMPORTANT THAN EVER

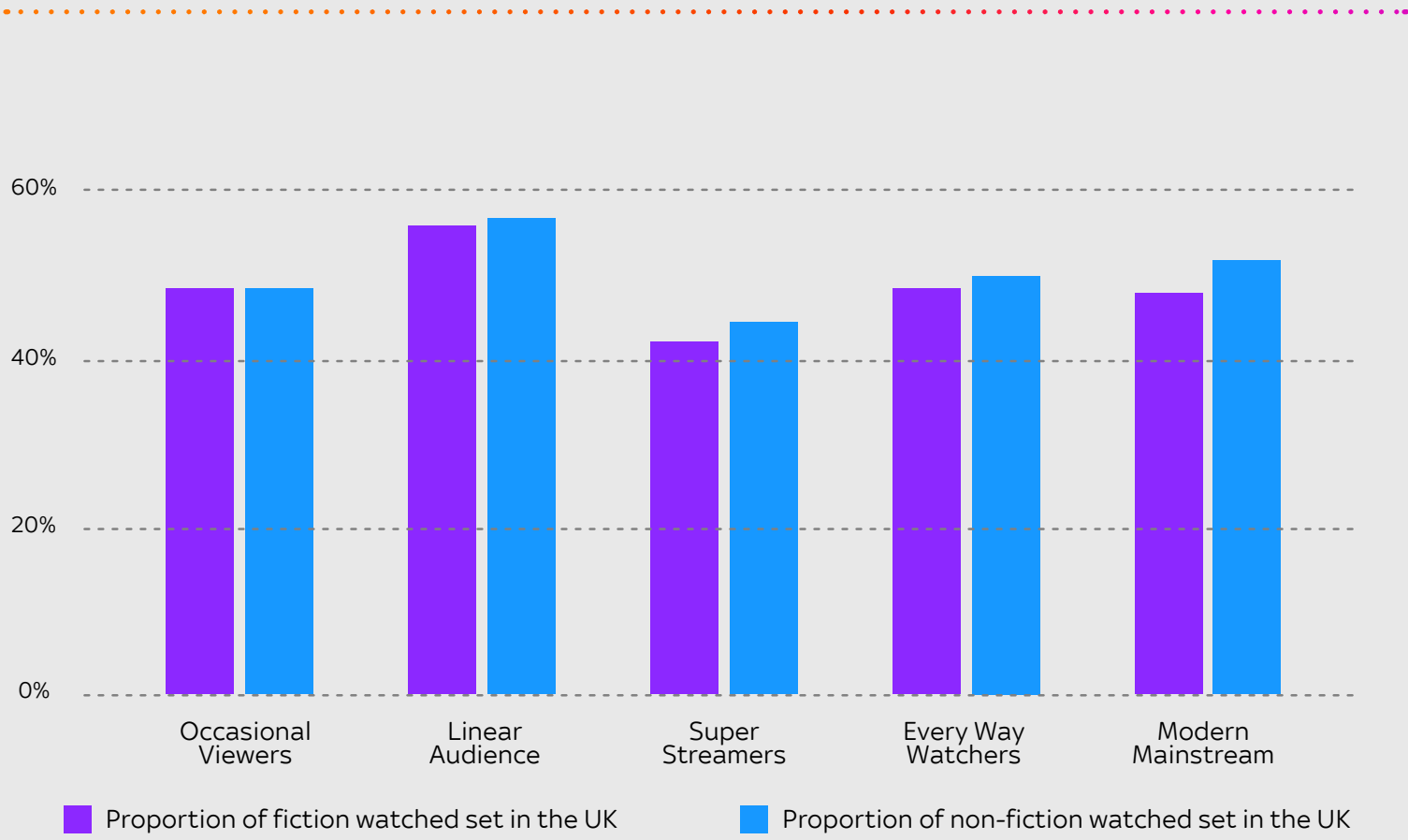


²Media Nations 2023, Ofcom (August 2023)

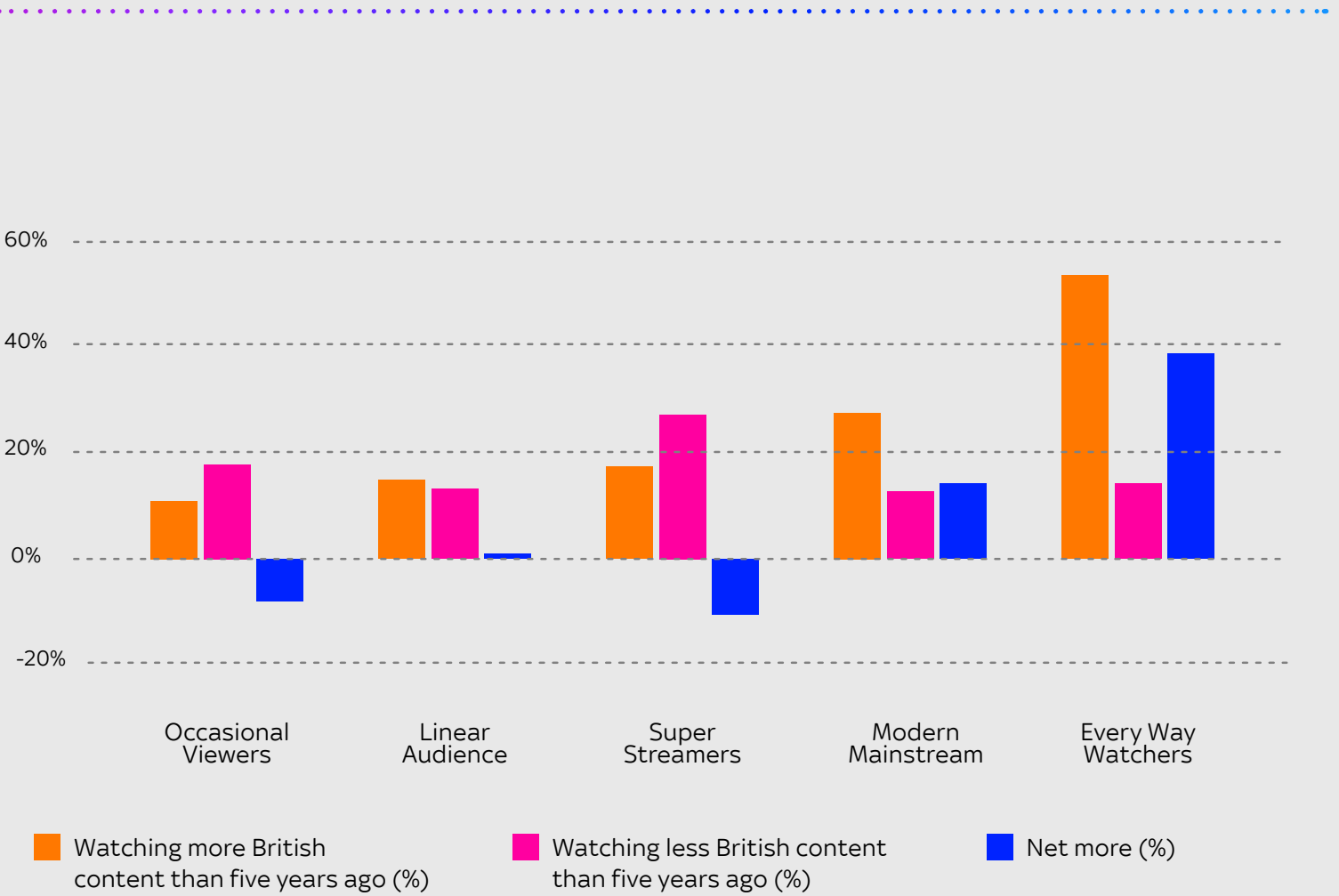
Critically, our research shows that British-made content is going to continue to be an integral part of the entertainment mix. All of the clusters report that around half of the content they watch is produced in the UK.

Looking at the population overall, almost **one in four adults say they watch more British content now than they did five years ago**. This rises to one in two in the “Every Way Watcher” cluster, who are growing advocates for British TV and film.

HOW MUCH BRITISH CONTENT DO UK ADULTS WATCH?



WHO IS WATCHING MORE BRITISH CONTENT THAN FIVE YEARS AGO?



How will international demand grow?

Further economic projections by Public First suggest that, with the right conditions, international **demand for British content could grow by a staggering 50% by 2033**.

British storytelling is renowned around the globe. This is particularly true when it comes to TV and film, where productions like Chernobyl, Discovery of Witches, Gangs of London have garnered international followings. Thanks to our rich cultural heritage, the proliferation of the English language and global advances in connectivity, we believe that there is every opportunity to expand our audiences overseas.

Prior to 2020, British media and entertainment exports were reaching record levels. Whilst there was understandably a decline when productions were halted by the COVID 19 pandemic, global sales had already returned to growth by 2022.³

Based on new projections, we forecast that the UK could continue to capture a disproportionate share of the global market. Our modelling suggests that appetites in our top export markets will continue to grow over the next decade.

The value of direct exports will then be supplemented by the spillover effects associated with international prestige. Alongside an increase in soft power and cultural capital, popular British landmarks, iconic locations and cultural sites featured in media exports often tend to attract tourists interested in experiencing the settings of their favourite films and TV shows.

As visitors enjoy the surrounding amenities, spending on accommodation, dining, transportation, souvenirs and other services, local communities benefit from economic growth. Indeed, in line with the forecast growth of exports by 2033, we project that the UK could also benefit from an additional £2 billion from tourism each year.

What does this mean for the UK media and entertainment sector?

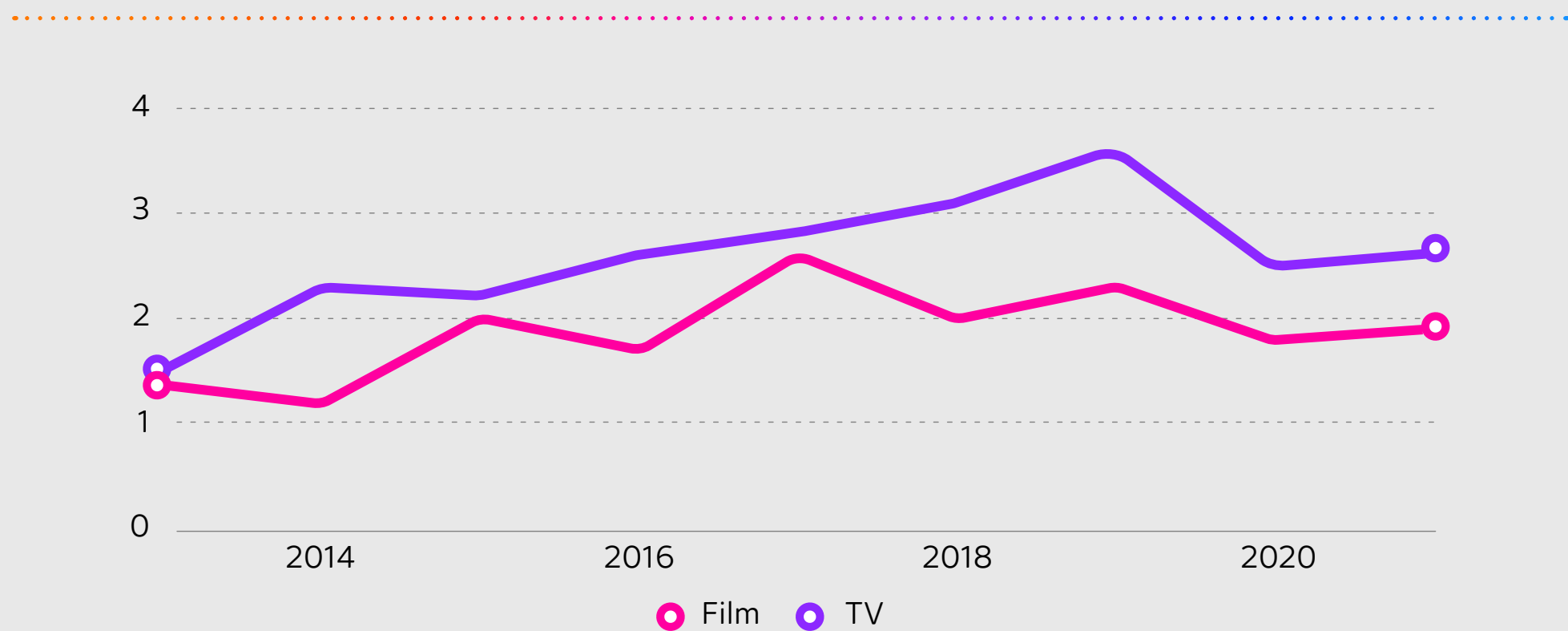
In understanding the relative changes in how British audiences consume content based on our demographic profiles, and coupling this with export projections based on the total media market, we are confident that there is a bright future for our sector.

Thinking about growth in purely economic terms, we estimate that the British media and entertainment sector will be worth an additional £10 billion per annum by 2033 – rising from £43 billion in 2021 to £53 billion in 2033. This is equivalent to almost 40,000 additional jobs.

For Sky, this research demonstrates that there is an obvious mandate to continue creating captivating original content across a whole host of genres, whilst also empowering our customers to find the best programming to suit their every mood. By striving for better content, better tools, and better customer journeys, the British media and entertainment sector can go from strength to strength.

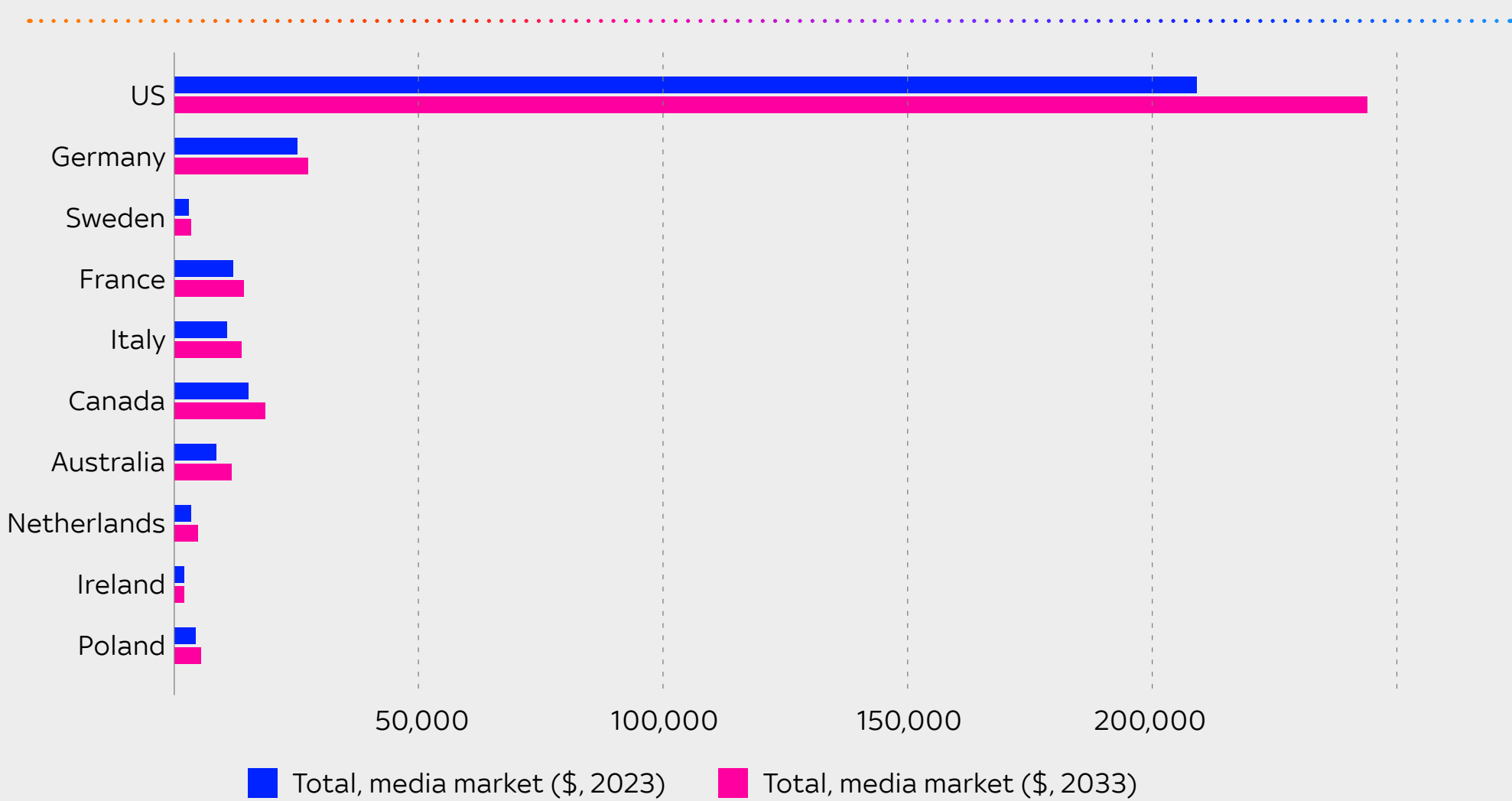
³Pact TV Exports 2022, Pact (2022)

UK EXPORTS OF FILM AND TV (£ BILLION)



³ Pact TV Exports 2022, Pact (2022)

TOP UK EXPORT MARKETS 2023 VS. 2033





Chapter four

Sky's policy recommendations

The sector's potential growth will, in part, depend on a supportive policy landscape. In order to fully reap the economic, social and creative benefits of a strong media and entertainment industry, the UK needs to remain a compelling place to do business. We suggest the UK Government should focus on the following key areas.

COBRA

sky max

Innovation

If the UK's media and entertainment industry is to continue to innovate, we need to be confident that our creative energies can be focused on meeting market demand. We want to give our customers the best possible experience, and to be constantly upgrading what we offer them.

Maintaining regulatory certainty, with a high bar for new regulation, is vital to ensuring that businesses can focus on forward-looking activity. At present, one day a week of Sky's technology resources are deployed on regulatory requirements, at significant cost to the business. This time and effort could be better placed elsewhere, such as developing new services or optimising existing business practices to boost productivity. We therefore suggest that all new regulation is subject to an Innovation Impact Assessment requiring Government departments to explicitly consider the effect of new rules on companies' ability to innovate, with the intention of fostering a pro-innovation regulatory landscape.

There is also scope to broaden R&D tax relief eligibility to include creative endeavours, as is the case in countries such as Germany, France, Italy, South Korea and Mexico. Under the current regime, important aspects of R&D in the media and entertainment sector goes largely unrecognised. For example, audience research that contributes to new user interfaces and experiences across content platforms is not in scope for R&D tax relief.

Recommendation: *Subject all new regulation to an Innovation Impact Assessment.*

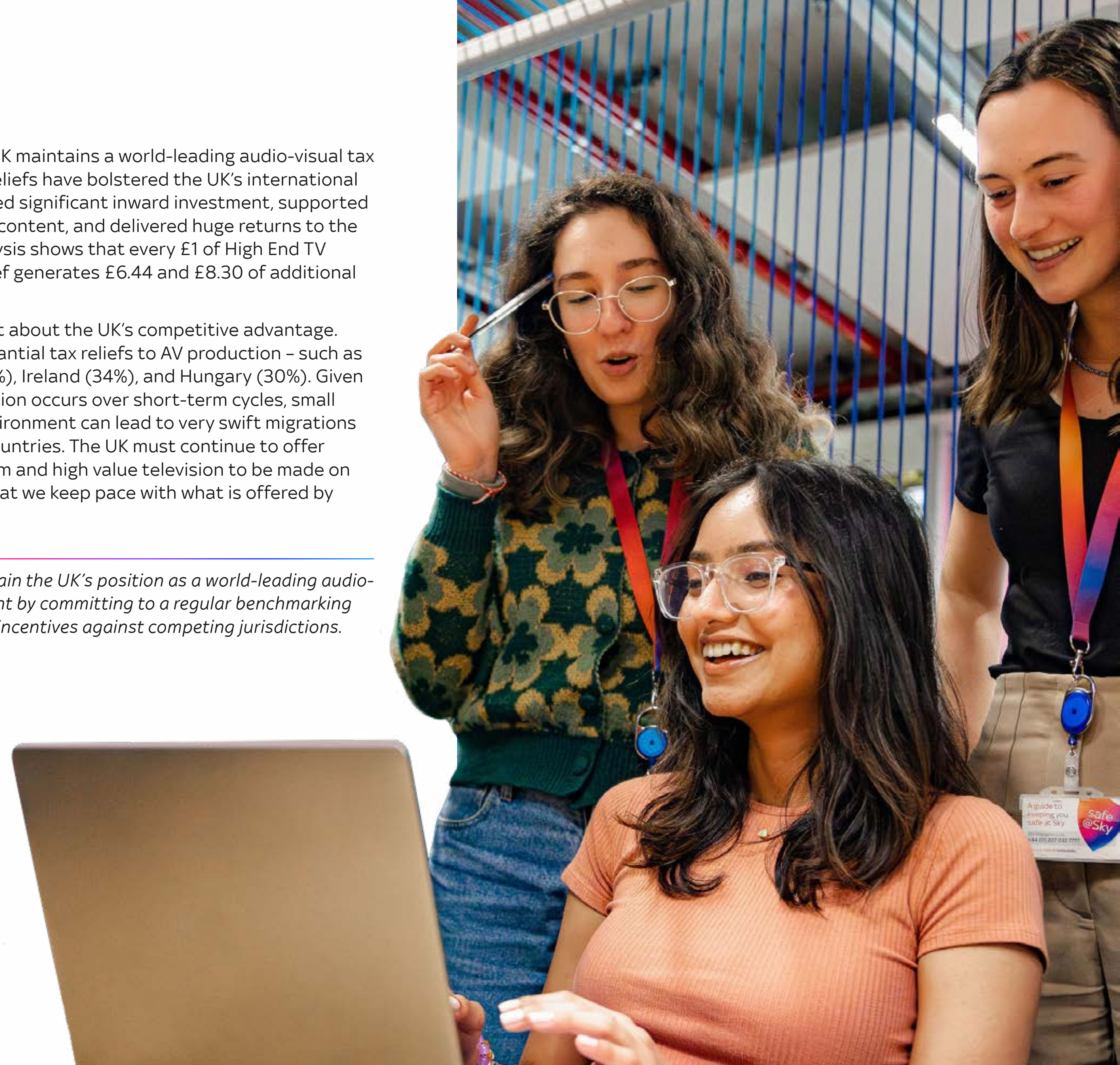
Recommendation: *Broaden R&D tax credits eligibility to include creative endeavours.*

Incentives

It is imperative that the UK maintains a world-leading audio-visual tax relief framework. These reliefs have bolstered the UK's international competitiveness, attracted significant inward investment, supported the production of British content, and delivered huge returns to the overall UK economy. Analysis shows that every £1 of High End TV tax relief and film tax relief generates £6.44 and £8.30 of additional GVA respectively.⁵

We cannot be complacent about the UK's competitive advantage. Many nations offer substantial tax reliefs to AV production – such as tax credits in Austria (35%), Ireland (34%), and Hungary (30%). Given that audio-visual production occurs over short-term cycles, small changes to the policy environment can lead to very swift migrations of investment to other countries. The UK must continue to offer compelling reasons for film and high value television to be made on our shores, and ensure that we keep pace with what is offered by other territories.

Recommendation: *Maintain the UK's position as a world-leading audio-visual tax relief environment by committing to a regular benchmarking exercise that assesses UK incentives against competing jurisdictions.*



Skills

Acute technical skills shortages across the UK economy need to be tackled in order to unlock its full potential. As it stands, the UK faces crew shortages at all levels, along with significant demand for digital skills.⁴

Innovation is stymied by a scarcity of tech talent. This holds true for the media and entertainment sector, just as it does for the economy at large. Businesses like Sky face vacancies across technology, product and data roles, often in software engineering or development roles. Without a strong pipeline of talent, it is inevitable that the sector will have to postpone important projects until positions are filled. This demonstrates the urgent need for the Government to ringfence dedicated funding for digital short courses, which can be accessed by workers in need of new digital skills.

There is also an opportunity to meet the media and entertainment sector's workforce demands by expanding the scope of the Apprenticeship Levy. The distinctive characteristics of the creative industries – particularly the prevalence of freelancers – mean that the media and entertainment sector often struggles to precisely meet the Levy's existing requirements. This in turn leaves the Levy under utilised. For example, while we have nearly 300 apprentices across Sky, we are currently only able to spend around 10% of the Levy pot we have available each year.

Learning from the ScreenSkills flexi-job apprenticeships pilot, there is good reason to allow faster and more flexible applications of the Levy. We call on the Government to adapt the requirement for a minimum apprenticeship of 12 months with a single employer, by allowing Levy payers to divert their Levy pots to flexi-job schemes operated by third parties. Levy rules should then be expanded to allow funding to cover the additional employer costs of providing apprenticeships.

Finally, the creative industries suffer a significant shortage of talent available at mid-tier seniority levels – something that the Apprenticeships Levy cannot address as it is currently structured. Sky would advocate for funds to be able to be used more flexibly for upskilling existing employees (either out of the existing Apprenticeships Levy or through a more expansive "Skills Levy"). This in turn would help businesses like Sky access more funding to boost retention, improve productivity and future proof our operations.

Recommendation: *Fund and promote flexible digital training courses for workers of all ages.*

Recommendation: *Expand the scope of the Apprenticeship Levy to incorporate flexi-job schemes and to allow funds to be used for broader retraining and retention across the workforce.*

⁴Skills Review 2022, BFI (June 2022)

Apprenticeships Pilot

ScreenSkills – the industry-funded and sector-led skills body for the UK's screen industries – has run two pilot schemes to assess the effectiveness of apprenticeships in production, focusing on the apprenticeship system in England.

- The first pilot ran between January 2020 to February 2023 in conjunction with Netflix, Warner Bros Discovery and co-funded by the Department for Culture, Media and Sport.
- The second pilot started in February 2022, in partnership with Sky (with APX Content Ventures), Amazon Prime Video, Banijay, Lime Pictures, and Fremantle and co-funded by the Department for Education. It is due to finish in January 2024.

Having reflected on the pilot findings to date, and owing to the distinctive nature of the screen sector, ScreenSkills has called for apprenticeship standards to be better tailored to roles in film and TV production. The key recommendations include:

- Broadening the scope of the Levy beyond apprenticeships to support a broader range and diversity of industry-recognised vocational training options.
- Reforming funding rules so that Levy funding can be used to cover the additional employer costs of providing apprenticeships, not just the costs of the apprenticeship training.
- Removing the fixed minimum-length requirements of apprenticeship standards, so they can be better aligned to the duration of training required for the job.



What we are proposing will enable the sector to unlock the true potential that the apprenticeship system could offer by better reflecting the distinctive needs of our freelance, project-based sector.

Seetha Kumar, CEO, ScreenSkills

Space

There is currently significant demand for UK-based production space. A total of 415 film and high-end TV projects were produced in the UK in 2022, with 51% of surveyed industry professionals forecasting further rises in the years ahead.⁶

However, our media and entertainment sector is currently stifled by a lack of production studios. As it stands, available soundstage space is at capacity, necessitating the use of temporary and alternative venues for filming and set builds. We need to continue to build more production infrastructure, or risk losing out to overseas rivals.

It is worth noting that there are currently development proposals for 44 new studio spaces across the country, but progress is slow with ongoing funding and planning obstacles to overcome. We therefore encourage central government and local authorities to embrace the economic and employment potential of our screen sector, and streamline the planning processes that can bring this pipeline to fruition.

Moreover, a supportive business rates environment is imperative to ensure new studio space remains a viable investment - and indeed, so that existing studios can continue to be operational. We specifically urge the Valuation Office Agency to rethink the “studio tax”, which will see British film and TV studios hit by potentially exponential increases in property tax bills.

Recommendation: *Support production studio infrastructure by streamlining planning processes and rethinking the Valuation Office Agency’s property tax rating.*

⁵Screen Business: How screen sector tax reliefs power economic growth across the UK 2017-2019, BFI (December 2021)

⁶UK TV and Film Industry Survey 2023, CBRE (May 2023)

Connectivity

Multiple device usage, live-streaming, virtual reality and other emerging technologies will all require more data to transmit than ever before. Streaming in ultra high definition is also likely to stimulate significant demand for high speed services. Ever-improving connectivity infrastructure is therefore required to ensure users can enjoy the latest entertainment without interruption.

The UK must continue to support the roll-out of ultrafast, low latency and highly reliable networks to ensure that audiences can access the best content in their homes and on the move. But as network coverage continues to increase, the policy challenge will shift from roll-out to take-up. Penetration of full fibre networks remains low, and customers will need to be motivated to move to new services. Sky’s IP-delivered TV products give people reasons to switch, while our broadband proposition plays a crucial role in driving strong retail competition and consumer choice.

We must ensure that no one is left behind. Sky has set an ambitious goal to tackle digital inequality and will provide support to a quarter of a million digitally excluded people through our £10 million “Sky Up” programme. But a national effort to end digital exclusion and advance digital equity is needed to help every member of society get online and feel confident being online, irrespective of who or where they are.

Indeed, just as we prepared for the digital switch from analogue to digital terrestrial television, policymakers should plan for the shift away from aerial transmission. Over the coming decade, we will likely see a move from linear programming via digital broadcasting towards online-only distribution. Households need to be prepared for this change to ensure they can continue to access their preferred content.

Recommendation: *Launch a national roadmap in anticipation of a wholesale shift to IP distribution, including a coordinated effort to end digital exclusion to allow people to engage with online-only content.*



Methodology



Consumer Segmentation

To arrive at the consumer segments used in this report, Public First drew on data from its consumer survey on how often individuals watched video content on different modes (e.g. television, mobile phone, tablet or laptop). A “k-means” clustering analysis was then used to group consumers according to their habits, collecting together those with the most similar viewing patterns. Public First then explored how these groups varied – for example in terms of their demographic profile and propensity for watching British content.

Potential Future Growth of the UK Media and Entertainment Sector

In order to estimate the potential future growth of the UK Media and Entertainment sector Public First combined two estimates:

- For domestic demand, Public First drew on ONS data on total output, Gross Value Added (GVA) and exports for the sector to estimate the current proportion of demand attributable to domestic viewers.
Drawing on the new consumer segmentation, Public First then looked at how the demographics of these segments are likely to grow and shrink over the next ten years. Based on their self-reported relative viewing of British content, Public First then estimated what this would mean for total demand for British content.
- For international demand, Public First first produced estimates of the total size of the media market for all major economies, drawing on data from PWC’s Global Entertainment and Media Outlook, and then projecting these forward with average growth rates.
Public First then created its own dataset of relative average interest in British content, drawing on existing public datasets for overall viewership and revenue by country for the cinema and TV markets.
Based on the index of relative interest in British content and our projection of each market’s growth Public First produced an overall estimate of relative growth in demand for British content, and applied this to the most recent export data.

Throughout these estimates, Public First assume that supply grows in order to meet increasing demand: in other words, that the industry is not bottled by a shortage of skills or production facilities.

Impact on Tourism

Public First drew on the most recent [BFI Scene Business report](#) to estimate a ratio between total industry exports and their estimate of total tourism spend driven by film and high end TV.

Public First then applied this ratio to our projections of potential additional additional demand, and applied [ONS data](#) on average spend per visit to estimate the total number of new visitors this is equivalent to.

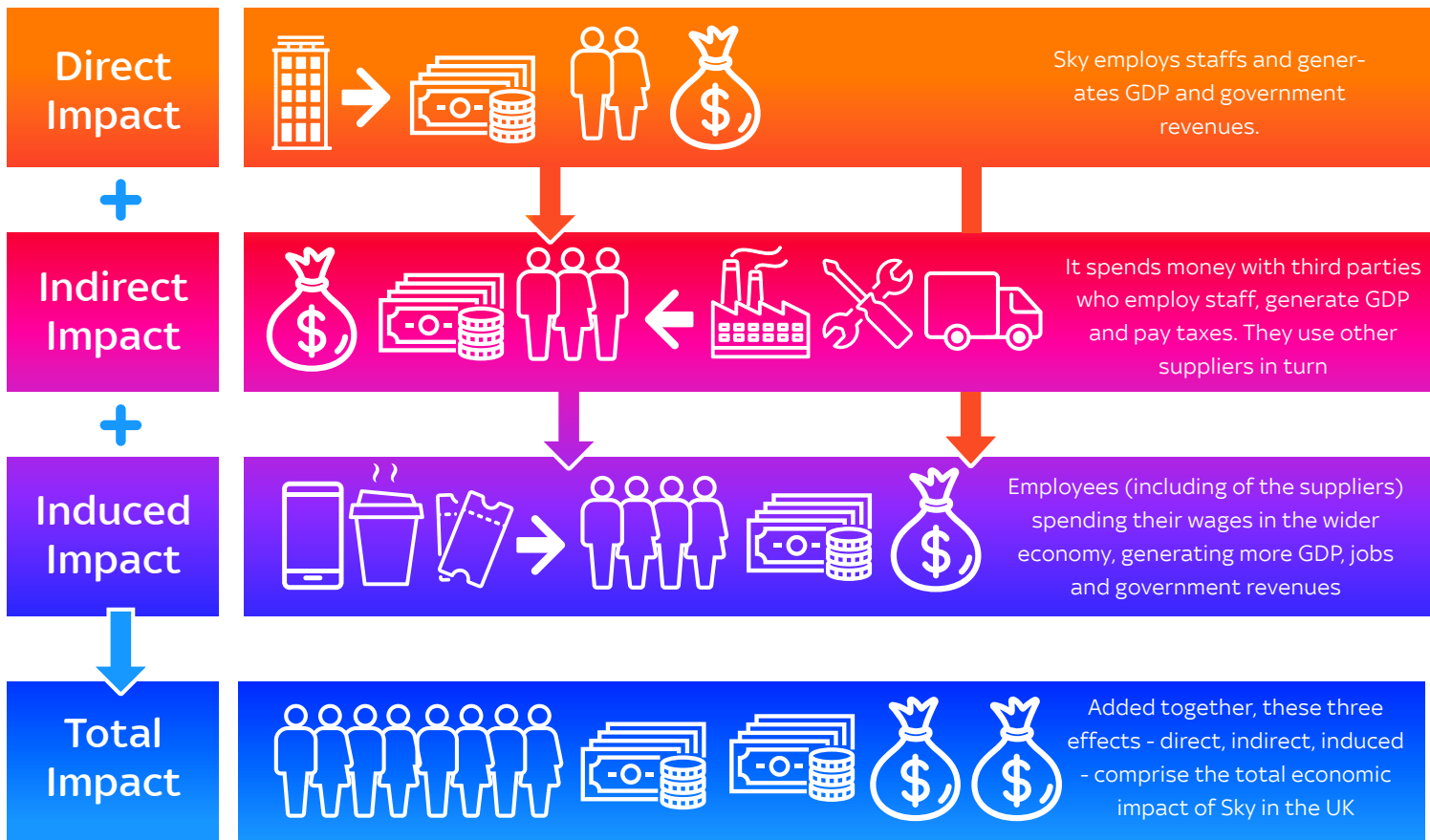


An overview of economic impact analysis

- We assess the impact of the Sky in the UK using a standard means of analysis known as an economic impact assessment. This involves quantifying the impact of Sky across three “core” channels:
- **Direct impact**—this assesses Sky’s own contribution to the country’s GDP, its workforce, and the taxes paid to authorities.
- **Indirect impact**—this comprises the economic activity and employment sustained by Sky’s procurement spending with firms across the continent, including the supply chains of businesses it spends directly with, and their subsequent supply chain.
- **Induced impact**—this reflects the wider economic activity and employment supported by the spending of wages by employees of Sky, as well as the spending of wages by employees in its supply chains.

This approach enables us to present the impact of Sky in the UK across three key metrics:

- **GDP**—the gross-value added (GVA) contributions to gross domestic product (GDP).
- **Employment**—the number of jobs supported.
- **Tax**—the value of tax revenue generated by all activities.



The steps and assumptions in our analysis

Direct Impacts

Sky provided detailed information to Oxford Economics on its revenues, spending by category including tax payments, accounting profits, and employment headcount. Oxford Economics then calculated the Company's direct economic impact in Europe as follows:

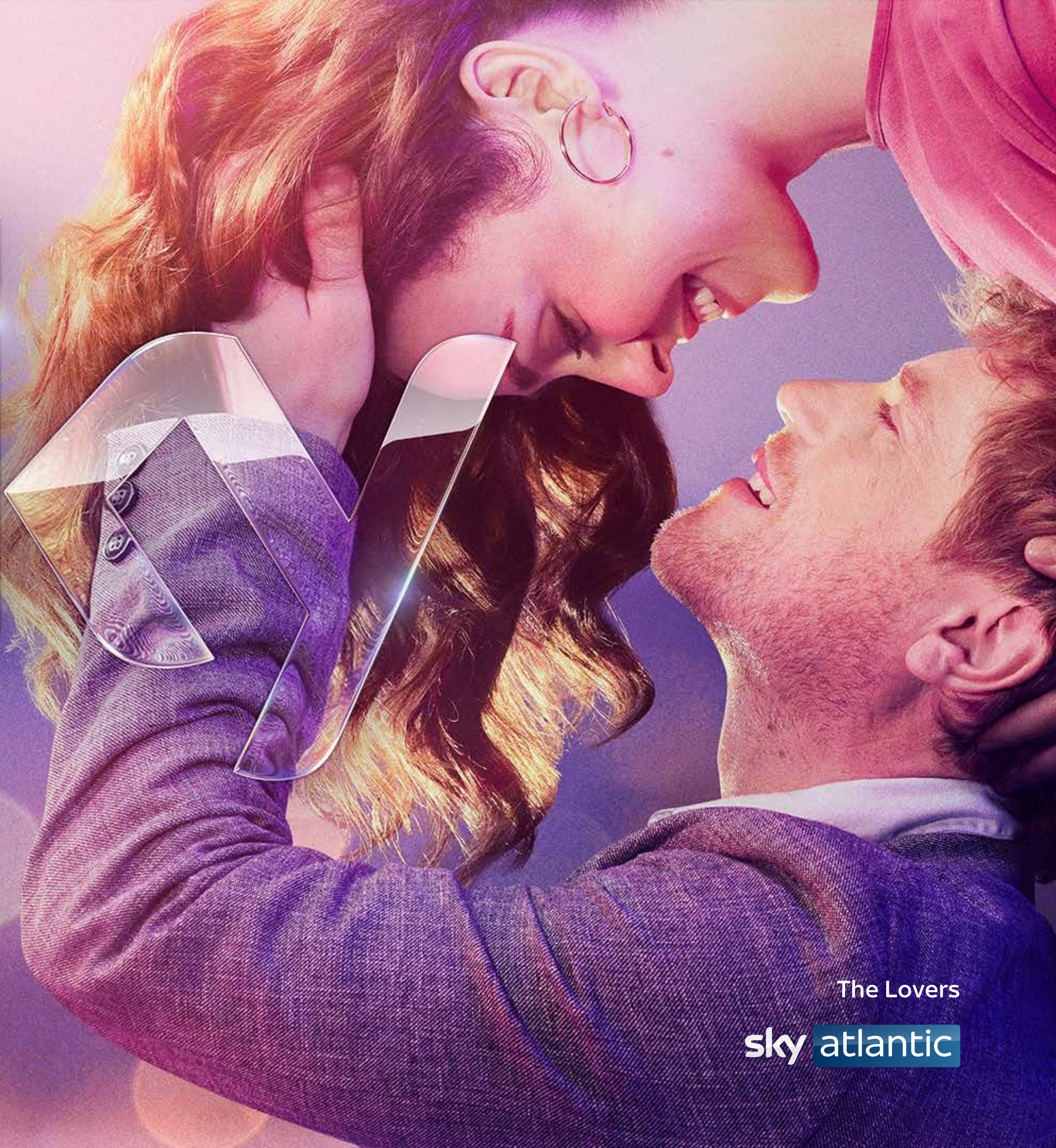
- Direct GDP is the sum of employee salaries, employers' social contributions, and the gross accounting profits measure EBITDA.
- Direct employment is simply the number of staff directly employed by Sky across the UK, measured on a headcount basis.
- Direct government receipts comprises of corporate tax, sales taxes, and employees' individual income tax.

Indirect and Induced Impacts

To quantify Sky's indirect and induced impacts, Oxford Economics used a technique called input-output modelling, first developed by the Nobel Prize winning economist Wassily Leontief. The technique uses national accounts data that specify how much each industry buys from each other industry and from other countries in a given year. Through a series of matrix algebra techniques, it is possible to estimate the additional economic activity that is stimulated from a given amount of final demand, where in this case final demand is the purchases Sky makes from its suppliers or Sky's employees make from consumer goods and services outlets.

For this analysis, Oxford Economics used an input-output model of the global economy, using the latest OECD economic and trade data as its starting point. A basic national input-output table gives a snapshot of an economy at a given point in time, essentially showing who buys what from whom in the economy. The global modelling approach used here extends this concept to include purchases by each industry from industries in other countries, as well as from other industries in their own country. The value of purchases and wage payments by Sky's global operations was provided by the company. The use of a global model in this analysis allowed "feedback effects" to be captured, in cases where Sky's imports into the countries in question include some content originally created in that country further along the international supply chain.

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