



## Representation to HM Treasury for Spending Review

September 2020

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### About AudioUK

1. AudioUK is the trade body for the audio-led production sector. It has over 100 member companies based across the whole of the UK. These creative SMEs produce high-quality content including: radio for BBC and commercial networks; podcasts for brands, broadcasters and for self-publishing on major audio platforms; audiobooks and audio drama; as well as a variety of other audio-led content.
2. AudioUK has four core priorities: Business; Representation; Community; and Excellence. We produce the annual Audio Production Awards, celebrating craft skills across the industry. We also run the successful Audiotrain craft skills training programme, with a wide range of learners attending - latest figures showed 60% identifying as female, 21% as BAME and 5% as disabled.
3. AudioUK, along with commercial radio trade body Radiocentre, oversees the administration of the Audio Content Fund<sup>1</sup>, which distributes a grant of up to £3m from the UK Government to fund public service content on commercial and community radio. In 2019 we were awarded funding from the Government's Business Readiness scheme to help the sector prepare for Britain's changing relationship with the EU. Also, as a member of the DCMS Broadcasting, Film and Production Working Group, AudioUK has produced COVID-19 guidelines for use in the audio production sector<sup>2</sup>.
4. AudioUK is a member of the Creative Industries Federation and we support the Federation's own spending review submission to HM Treasury.

### Proposals for Spending Review

5. We would like to put forward two proposals for the spending review:
  - The first relates to a proposal for an Audio Production Tax Relief (APTR)
  - The second relates to the continuation of the contestable fund for additional public service content, in particular the Audio Content Fund

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<sup>1</sup> <https://www.audiocontentfund.org.uk/>

<sup>2</sup> [Keeping Workers and Customers Safe during COVID-19 - Guidelines for use by UK audio production companies](#)

## Proposal 1: Audio Production Tax Relief (APTR)

### The case for an Audio Production Tax Relief (APTR)

6. The Government first introduced a tax relief for British film in 2007 and following its success in attracting further investment, many more creative tax reliefs have been introduced. These are for: Animation (ATR); Children's Television (CTR); Film (FTR); High-end Television (HETR); Video Games (VGTR); Museums and Galleries Exhibition (MGETR); Orchestras (OTR); Theatre (TTR).
7. These tax reliefs are widely recognised to have attracted more investment into our creative industries, with investors encouraged by the lower tax costs of financing production. In 2018 the BFI reported that *"production supported by the UK screen sector tax reliefs<sup>3</sup>, reached a record total of £3.16 billion in 2016. Film production represented 54% of this total, but there are strong contributions from HETV (28%) and video games (12%)"*<sup>4</sup>.
8. This investment in screen-based content, encouraged by the tax reliefs, has led to an increase in production facilities in the UK and aided the development of creative hubs in London, Cardiff, Glasgow, Manchester and elsewhere.
9. With an already-established professional sector, the UK is in a good position to become one of the major global centres of audio production. Audio production is increasingly becoming involved in other forms of media and creativity – museum audioguides have long been used to enhance the experience of attending an exhibition and we are now increasingly seeing audio content used to enhance other creative sectors, such as the use of podcasts to accompany TV series (for example, UK audio company Somethin' Else makes the podcast for Netflix's *The Crown*) or as cost-effective ways of piloting content.
10. An APTR will help empower audio production companies to court inward investment to develop and expand audio content (e.g. audiobooks and podcast drama) for commercial exploitation in the domestic and global audio market. We are already seeing some signs of this, for example Audible and Spotify have significant London bases, and US podcast companies Stitcher (now part of SiriusXM) and Wondery have invested in UK company Podfront. If tax incentives were available, then the opportunities to co-produce would exponentially increase.
11. Podcasting is seeing increased investment in the US, where trends are ahead of the UK. For example, recent industry research shows that the proportion of brand advertising in podcasting has been steadily rising over the past year. In Q2 2020, 38% of ad occurrences were from brands, up +46% from Q2 2019 (26%). As has happened in the US, UK podcast listening is rising rapidly<sup>5</sup>.
12. UK audio production companies are already targeting the US for commissions as they see a mature podcast sector with money to spend. A growth in UK-led big ambitious ideas, internationally viable projects and 'co-pro' relationships requires a clear and unique incentive, in the form of a tax relief, to kick-start more investment.
13. Podcasting as a content form is showing significant growth in the UK. Research<sup>6</sup> published earlier this year showed that podcasts have an 18% weekly reach among the adult UK population, up from 11% in 2018. 79% of listening is done via smartphone, usually

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<sup>3</sup> 'screen sector tax reliefs' refers collectively to the ATR, CTR, HETR, VGTR, FTR

<sup>4</sup> [Screen Business: How screen sector tax reliefs power economic growth across the UK - Summary report. BFI, Oct 2018, p11](#)

<sup>5</sup> [Magellan AI Podcast Advertising Analysis. Westwood One, Aug 2020](#)

<sup>6</sup> [MIDAS Spring 2020. RAJAR 2020](#)

accompanying travel or other activity, showing how modern portable technology has aided the consumption of audio.

14. Ofcom summed up the reasons behind the rise of podcasting in its 2019 Media Nations report: *“There is no firm definition of a podcast, but in essence they are episodic speech-based pieces of content, primarily audio-based though some also have accompanying video content. They lend themselves to the current era of convenience: they are generally relatively short and can be consumed as and when it suits the individual. Podcasts are heterogenous; the range of organisations publishing podcasts, their genres, business models and production schedules are all very broad”*<sup>7</sup>.
15. An increasing number of brands are turning to podcasts as a way of communicating with niche audiences, however there is a reluctance to invest at the high end to allow a more innovative approach to the content - for example a proposed BBC ‘blockbuster’ podcast drama, announced last year, is at £150k considered to be a relatively low budget for what is being expected to be produced. A tax relief could serve to encourage greater overall spend on productions. It is worth noting that half of our member companies are based outside London, so increased investment in the sector would help to support the Government’s ‘Levelling Up’ agenda.
16. Clearly however where there is opportunity there is also threat, and other countries will no doubt be looking to invest in the fast-growing mediums of podcasting and audiobooks. The current UK tax reliefs have undoubtedly helped in keeping the UK at the forefront of other types of creative content production and we believe it could achieve the same result in professional audio.

#### Introducing an APTR could help the audio production sector recover from the impacts of the coronavirus pandemic

17. The coronavirus outbreak has affected every area of the creative industries, and the skills base, which in audio has a significant freelancer element, is in danger of being eroded. In a survey of the sector carried out this April, AudioUK found that 72% of the 47 companies responding had experienced a downturn in business, leading to the releasing of 25% of freelance workers overall. This effect on freelancers is continuing, as evidenced by the ongoing demand for the Audio & Radio Emergency Fund (AREF), set up by AudioUK and others to alleviate financial stress among these production workers. The AREF has administered over 150 grants, totalling over £70,000.
18. The virus has continued to have an impact on commissioning and the production of certain types of content, although the relaxation of lockdown in most of the country has helped to restart some of this activity.
19. The comparative flexibility of audio production has meant that, relative to sectors such as television, more production has been able to continue on some level, however there has been a decline in commissioning, both by brands and broadcasters, plus a substantial decline in ad revenue from self-publishing. As we see commissioning continuing to rebuild in Q4 this year/Q1 next year, an audio production tax relief would be a genuine boost to aiding recovery in the sector.

#### The initial cost of introducing an APTR would be relatively low but have significant impact on the sector

20. It is worth noting that the cost of an audio production is significantly less than that of visual formats such as TV programmes or video games and therefore, even in the case of projects which would have taken place in the UK anyway, the reduction in tax income to the Treasury

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<sup>7</sup> [Media Nations: UK 2019. Ofcom Aug 2019, p99](#)

would be relatively modest compared to those other sectors. In new projects generated by the tax incentive, this is offset by an overall increase in VAT, PAYE, Corporation Tax and National Insurance contributions.

21. Regarding the screen industry sectors, where content budgets are greater, the BFI noted that even the smaller sectors have gained significantly in ways that go beyond the additional financial investment: *“The tax reliefs for animation and children’s programmes supported production of £97.1 million and £61.0 million respectively in 2016, and whilst these are smaller sectors, the tax reliefs underpin their future economic sustainability. Animation in particular, supports a wide variety of screen sector activity across film (supported by the FTR), visual effects and video games (supported by the VGTR)”*<sup>8</sup>.
22. This illustrates how the tax reliefs constitute a holistic approach to ensuring our creative sectors are healthy.
23. Given that there is a significant increase in investment in podcasting, audiobooks and studios, it is clear that this is a pivotal time to be making the UK audio production sector more attractive. We believe that an APTR will help secure larger budgets – either UK investment in a project or co-production money from more than one territory. We therefore believe there would be a net growth in Treasury receipts from the APTR’s introduction.
24. We also believe the APTR would incentivise investors to get involved in the sector through seed investment opportunities or EIS schemes. This could be used to create new studios and facilities.

## **Conclusion**

25. Given the impacts of COVID-19; the growth of brands investing in podcasting; and the potential for other sectors elsewhere to gain a lead if they themselves create such a scheme, we believe that there is a clear and timely opportunity to implement this in the near future, to give our sector a stepping stone to become more internationally competitive. An APTR would shine a light on the UK as a centre of audio production expertise.
26. We have already had some discussion with DCMS on this proposal and in addition we would like the HM Treasury to give this case full consideration. We would be happy to work with both departments further on developing an appropriate model for an APTR.

## **Proposal 2: Audio Content Fund – Provision of Third Year Funding**

27. AudioUK and Radiocentre jointly oversee the Audio Content Fund (ACF), part of the Government’s overall contestable fund for providing additional public service content to UK audiences. The third year of the initial three-year pilot is subject to HM Treasury approval.
28. Over the last two years the ACF has invested in a wide variety of programmes for commercial and community radio, none of which would have been made otherwise. The ACF’s 2019-20 Interim report showed that the fund commissioned 21 different UK independent production companies, to produce 162 hours of content, for broadcast on 35 different commercial and community radio stations. The ACF’s flexibility enabled it to swiftly agree and implement a special funding round to support audiences during the COVID-19 pandemic. This round distributed a further £400k to 28 projects to fill gaps in listeners’ lifestyles and livelihoods caused by lockdown restrictions.
29. These commissions have benefitted everyone involved: the independent audio production sector through additional opportunities to make public service content and to gain

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<sup>8</sup> [Screen Business: How screen sector tax reliefs power economic growth across the UK - Summary report. BFI, Oct 2018, p11](#)

commissions and make new partnership; the commercial (and community) radio sector via free content around which it can build advertising and sponsorship, plus enrich the offer to audiences; and the listening public which has embraced the new content in good numbers.

30. The continuation of the Fund at this time would be particular of benefit given the disruption caused by COVID-19. For independent audio production, with a hiatus caused in radio commissioning due to the coronavirus pandemic it is important for the funds provided for the sector by the audio content fund to continue. And for commercial radio, likewise it has seen a fall in advertising revenues and the free programming provided by the ACF is of great value at this time to enrich its schedules.
31. Importantly, the Fund has showed the way in which funds can be used to broaden the provision of public service radio content beyond the traditional publicly-funded networks.
32. Continuing the pilot into its third year will therefore inject some much-needed investment into audio production and commercial radio broadcasting. It will also ensure the completion of the full pilot which will then pave the way for consideration of how we might take the project forward beyond those three years.
33. The ACF is a scheme which supports the Government's aim to level up the nations and regions. 'Nation and Regions' is one of the eight criteria that bids to the Fund are asked to fulfil. To date the ACF has awarded 51% of the finance distributed to out-of-London productions. 19 of the 60 successful bids have been broadcast on stations or networks based in the Nations and Regions, including three in each of Scotland and Northern Ireland, and two in Wales.
34. We know from the positive feedback from the DCMS that it has welcomed the Fund's progress so far and we do hope the Treasury will approve the financing of the Audio Content Fund to continue into its third year.

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