"CONSOLIDATION ACHIEVED; CLARIFICATION AWAITED" OR "THE DEVIL'S IN THE DETAIL"

A review of the Film Council's launch document " towards a sustainable UK film industry"

This policy document was presented to the British Film Industry on 2 May 2000. It sets out a 2 stage plan of action for revitalising and consolidating the British Film Industry.

Stage 1 is largely directed at rationalising and reallocating the funds available to support the industry and will be implemented in the current year.

Stage 2 is more concerned with long-term structural changes and is working within a longer time frame. This review concentrates principally on the Stage 1 initiatives.

The headlines in the press have picked up on the figure of £22M which is being made available to boost British Film talent and to help British film makers to “take on” Hollywood with the backing of more commercial features. However, the devil is of course in the detail and the launch document is certainly light on that. The main points of the Stage 1 launch are:-

- The Development Fund; which will support the development of high quality screenplays.
- The Premiere Production Fund; supporting the production of popular and commercially successful films.
- The New Cinema Fund; which will support more radical and experimental films.
- There is also a package of measures to promote and support training, exports and market intelligence.

The climate in which these measures are being introduced is one which sees the appetite for theatrical films in the UK enjoying a promising period in terms of box office admissions, number of screens and investment in UK cinemas. Nonetheless British films, however, still account for only 15% of UK box office receipts, the lion’s share being of course accounted for by US product. This is despite the fact that since 1994 the Lottery has invested approximately £100M into British films and recent history is littered with examples of British projects which have enjoyed large portions of funding, but which have resulted in low returns at the box office (only £6M from a total of £105M). The reasons for this state of affairs are many and various and are neatly summarised in the policy. Most frequently quoted is the number of British films which are essentially based on second rate scripts due to under-resourced script development - a clear case of quantity over quality: a trend which the Council is determined to reverse.

Let’s have a look at the main areas in which the Council’s cash is to be spent:-

1. The Film Development Fund

£5 million per annum for the next 3 years has been allocated to this Fund, making it one of the largest of its type in Europe. The criteria for the making available of monies have yet to be set out, although we are told that it will be used to pay for rights acquisition, script writing and other development fees/costs, with a repayment of development loans will be on “standard commercial terms.” Clearly, therefore things are being left fairly open. It is relatively unusual for a development fund to be available for the acquisition of rights, the usual emphasis being on script writing and other development expenditures (indeed, the emphasis of the presentation on 2 May 2000 was on the need for improvement in the quality of scripts and the fact that re-writes were a vital part of the process). Obviously, the parameters and scale of investment need to be fixed. It will be interesting to ascertain whether funding levels are envisaged at the former European Script Fund/EMDO levels (i.e. an input of £10,000-£12,000) or whether something far more ambitious is being envisaged. Certainly, if the Film Council are serious about helping to make scripts more commercial they will have to accept that having leading writers re-write scripts is a fairly expensive process which will require investments several times those previously available from Europe.

Further it is unclear to what extent funds will have to be matched by production companies. This is a common requirement with many such funds, although the point should be made that where the Film Council decide to make significant amounts available it may well be unrealistic to expect the production company to have the capacity to match these.

Although the policy document states that repayment is to be made on commercial terms there is as yet no guidance as to what this means. Again, the old "European Script Fund/EMDO" regime called for repayment on first day of principal photography together with a 5% premium. However, commercial monies advanced for the purpose of development generally carry premiums much higher than this and it will be interesting to see what level the Film Council insists upon.

On a related matter, It should be noted that monies are also made available under the new Film Training Fund and in particular £1 million per year for 3 years will be dedicated to training script writers, script editors and development executives as well as producers, business executives and distributors.

2. The Premiere Production Fund

Although there is to be a cap of £1M per film, the fund has sensibly decided to limit its investment to 10 to 12 films per year, which means that the average investment per film should be significant. Interestingly, films with a budget as low as £1M will qualify for such investment.

There is no doubt that the expressed intention to commit first rather than last in the financing process will be a major help in trying to assemble and finance a project and the Council's commitment and vote of confidence in a project will considerably strengthen the producer's hand in his negotiations with other sources of finance. This appears to be something of a shift from the policy developed by the Lottery of only committing once a number of other sources of finance had been put into place. In other words, Lottery monies had come to represent the last part of the jigsaw whereas now we are to have an initial building block.

Having said that, the policy makes it clear that investment will not be forthcoming "unless a commercially viable distribution strategy is guaranteed as an integral part of the financing package." This does give rise to a chicken and egg situation as far as the producer is concerned, but they are of course well used to dealing with such quandaries! A little more reassuring is the statement that recoupment levels will be in line with industry norms (if such exist!) although obviously it is still unclear how the Council's recoupment demands will square with other forms of financing in an area where in the past under the former Lottery regime there has been the need for considerable negotiation.

As for the stated intention of investing in pre-production where appropriate, our view is that what is intended here is that the fund would be applied to such expenditures where all the financing for a film has been secured but interim monies are needed before draw-downs from other sources become available.

3. The New Cinema Fund

This had been allocated an annual budget of £5M over three years with the expressed intention of promoting radical or experimental films which almost by definition will be low budget films or shorts. Reassuringly, the policy states that recoupment rates for such projects will be "softer" than industry norms. However, it also states that "budgets will be commensurably lower".

4. The European Angle

Recognising the importance of Europe as a market for English language films (as witnessed by the increasing number of European films made in English) the Council has earmarked 20% of the three main funds specifically for European backed projects, i.e. £4.2 million. Quite how the European element will be defined is not clear, but whatever the criteria, this appears to represent a significant increase on current levels of funding for European projects, for example, through the European Co-Production Fund administered by British Screen Finance. Interestingly, the Council does not rule out investment in non-English language films.

It remains to be seen how European backing will be defined given the budget levels of films supported under the Premier Production Fund. It will, of course, be as likely as not that far more than 20% will have a European element to their financing. The question may be whether the £4.2 million allocation is to be made available solely to films qualifying as treaty co-productions. Our view is that such a policy would be far too restrictive.

In the longer term, the Council will review existing European co-production treaties with a view to stimulating more European co-productions. It also promises to bring forward proposals to review the definition of a UK qualifying film, only a short time after the recent liberalisation of the definition last year.

5. Further Points

Reference is made in the document to the "absorption" of British Screen Finance into the Film Council. However, no further detail is provided. This is a process which should be given very careful consideration. There is no doubt that British Screen is regarded as one of the most successful film financiers in Europe and has a strong track record in recouping its investments. It would be a shame if the accumulated know-how and resources of this agency were depleted or lost.

Conspicuous by its absence from the document is support for the distribution of British films. This is intentional as the Film Council regards support for P and A to be an inappropriate use of its resources, preferring instead to focus upon the production of films which distributors will wish to pick up and support from their own funds.

Given the emphasis (amongst other things) on training and the resources dedicated, for example, to business affairs, sales agency and script writing, there is a very clear sense that the Film Council has sought to formulate a policy which has a cohesive shape to it, embracing the gestation of a project from development through to production and delivery. Certainly, it is to be welcomed that there is to be a two stage process: the first stage being a clear drive towards a cohesive, more commercial outlook to film funding; followed by a second stage which then seeks to improve contact points between the film industry and private equity capital. Likewise, the present emphasis on development and production at the expense of promoting and supporting new technologies would seem logical.

All in all it will be very interesting over the coming months to see how effectively the policy document can be turned into practice.

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