

The UK

The (financial) hits just keep on coming

The UK is admired for its strong non-fiction output, but the same can't be said for the funding opportunities (or lack thereof) available to its prodcos. A dwindling amount of government support has chipped away at the foundation of the UK's programming industry and created a bleak tax break situation in the region. In response, indies have been forced to find alternative means to realize their budgets.

With governments in Australia, Canada, Asia, and other parts of Europe providing subsidies to keep their entertainment sectors robust, most UK producers have a bad case of funding envy. (It's not uncommon to hear them pine about the incentives offered to their foreign counterparts.) But things weren't always this way: British producers used to have access to the Sale and Lease Back program, whose aim was to help finance the UK film industry by providing a means of sheltering income and capital gains from tax through film partnerships. S&LB allowed filmmakers to sell the distribution rights of completed works to an investor and then lease them back over 15 years. The minimum investment was typically between £50,000 (US\$102,000) and £150,000 (\$307,000). But problems arose when the system was 'abused' by soap operas and television series. S&LB was subsequently cut for TV in 2002, so those Brit producers were forced to say ta ta to an important funding resource.

Unfortunately, S&LB was never replaced. "We've had a Labour government, and they don't tend to give those kinds of tax breaks," says Carl Hall, chief executive of Hertfordshire-based prodco and distrib Parthenon Entertainment.

Some factual producers view the Terms of Trade that came into effect in 2004 as the quid pro quo the government offered in return after cutting them off from S&LB. Thanks to Pact, the UK trade association for indie film and TV companies, today the ownership of a project tends to rest with the producer as opposed to the broadcaster, and producers are able to choose which distributor to use to sell their rights.

Being awarded these rights seemed like a no-lose situation for producers, but it turned out to be a double-edged sword, as the move was almost immediately met by a drop in license fees. And many producers complain that getting British broadcasters - especially the smaller ones - to fully fund projects is also much harder than it used to be. The bottom line is: producers have been left with increasingly large funding gaps to fill.

The good news for those looking to work with British indies is that they often use coproductions to fill those gaps. British producers are eager to pair up with companies who get government subsidies from their own countries. To paraphrase The Beatles, they get by with a little help from their friends.

But these friends should consider whether they're prepared to take a risk on a deficit, since it's becoming rarer for broadcasters in the region to fully fund a program. Case in point: London-based Talent Television did a special called *9/11: The Curse of Compensation* for Channel 4, and the broadcaster didn't fully fund the special, says Talent's managing director, Tony Humphreys. Talent went ahead and made it for an amount in excess of the license fee anyway since "it was close enough to the license fee for us to take the risk on that deficit," says Humphreys. Those working with British prodcos may have to take similar measures.

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Getting an international distributor onboard becomes all the more important when partnering with Brits. Over the past few years, international distribs have shown more willingness to pay advances for programs they feel have international legs. This has been a big contributing factor to either bridging small funding gaps or deficits on a show. And, if the show has been largely funded by the commissioner, it's created money that enables the producer to clear the program for worldwide distribution, therefore giving them the possibility of earning income over a longer period from it.

To prevent becoming vulnerable in a funding-strapped region, many prodcos in the UK have started their own distribution arms to ensure they run a balanced business. This diversification has become a more common method for survival since the production industry goes through such highs and lows, and the distribution arm can thrive in times when broadcasters can't afford original productions. If you team up

with a UK company that has its own distribution arm, you've also got a foot in the door when it comes to securing an advance if said arm operates independently of the production side.

Then there are private investment vehicles, which offer UK producers and their partners a ray of light when it comes to financial backing. Private investment vehicles are essentially backed by investors who support filmed projects and receive tax relief on their contribution. Often operating on a coproduction basis, these investors - sometimes backed by banks or other financial institutions - put money into a project and get money back in return. While more commonly associated with dramatic works, some do operate in the factual world (see sidebar).

There are also intellectual property funds that exist in Wales. Parthenon's Hall says these funds make soft, unsecured loans into productions in exchange for a part of the back end. That can go hand-in-hand with EU Media funding - the closest thing to a tax break or subsidy that UK producers can access.

The UK non-fiction sector has seen its share of financial blows over the past few years, and the aggressive cuts at the BBC don't help. Funding opportunities aside, the region is still respected for the quality of its non-fiction programming, and you can't put a price on that.

UK links

UK Film Council

Launched by the Department for Culture, Media and Sport in 2000, the UK Film Council provides funding for film production and training. It has three production funds: the Film Development Fund, the New Cinema Fund and the Premiere Production Fund.

ukfilmcouncil.org.uk/filmmaking/funding/

EU Media

As the EU's support program for the European audiovisual industry, MEDIA co-finances docs at different stages, from development to distribution. The MEDIA 2007 program, in effect from 2007 to 2013, is the fourth multi-annual program since 1991 and has a €755 million (US\$1.1 billion) budget.

ec.europa.eu/information_society/media/index_en.htm

British Council Film Department

The film department's main goal is to broaden and build international audiences for new work from the UK. This part of its website provides a listing of public funding info.

britfilms.com/resources/fundinginformation/

Pact

Headquartered in London, Pact is the UK trade association that represents and promotes the commercial interests of indie feature film and television companies, as well as animation and interactive media companies. It offers support to its members via regional representation throughout the UK.

pact.co.uk

Ingenious

Founded in 1998, Ingenious is a London-based specialist media investment company (they backed ID Distribution when it was formed) and advisory business (they advised the prodco Ricochet on its £30 million (\$59 million) sale to Shed Productions in 2005). The company runs six subsidiaries: asset management, consulting, corporate finance, investments, securities and ventures. It provides corporate finance advice to private equity funding, as well as investment solutions for the private investor.

ingeniousmedia.co.uk

Isle Of Man Media Development Fund

This fund was established to provide equity investment to film and TV productions shooting on the Isle of Man. Film investment funding includes provision of contract discounting and gap financing. The fund is run by CinemaNX Limited, a company that's able to offer from 10% to 100% of a film's budget. To be considered, projects should typically be filmed wholly or partially on the Isle of Man, and be capable of spending at least the equivalent of 20% of the below-the-line budget with local service providers.

gov.im/dti/iomfilm/mediadevfund.xml

Northern Film & Media

Northern Film & Media is the Regional Screen Agency for the North East of England. One of its funds is the Community Documentary Scheme, an annual scheme to support filmmakers to produce a half-hour TV program about a North East community. The three 2007/2008 beneficiaries each received £9,000 (\$17,700) towards production.

northernmedia.org

Scottish Screen

Scottish Screen is the development agency for the screen industries in Scotland. Every year, it invests roughly £6 million (\$11.9 million) in development and promotion, including distributing £2.7 million (\$5.3 million) of National Lottery funds. The agency invests in a range of projects designed to develop businesses across the country.

scottishscreen.com

Screen East

Screen East develops, supports and promotes the film and media industries in the East of England. Funded by the UK Film Council and by the East of England Development Agency, it offers the Regional Investment Fund for England, which includes the Content Investment Fund (which provides production investment to commercially viable docs) and the Project Development Fund (which will provide businesses with 100% of the funding required to develop and exploit content development, including docs).

screeneast.co.uk/

Screen South

Providing the first port of call for funding and info relating to film, Screen South offers a Regional Investment Fund For England, and provides money for everything from production and development to training.

screensouth.org/pages/funding/funding_intro.html

Screen WM

Screen WM supports, promotes and develops the screen media sector in the West Midlands. Its largest fund is the Film & Media Production Fund, which targets large-scale projects from both indigenous talent and production companies from outside the region looking to locate a project within the West Midlands. The fund can invest up to £500,000 (\$1 million) or 25% of a project's budget, whichever is the lesser.

screenwm.co.uk/

Screen Yorkshire

Offering several funds to individuals and businesses, Screen Yorkshire is home to the Screen Yorkshire Production Fund. It's a digital media content development and production fund that supports, among other genres, feature docs and factual TV programming.

screenyorkshire.co.uk/funding/