

Chapter 18: Public investment in film in the UK

The UK Government provides financial support to film in the UK through a variety of channels. Additional funding comes from the European Union. This chapter shows the sources of funding, the amounts spent by each film organisation and the activities supported, from film production to film archives.

Facts in focus

- Total measured public funding for film in the financial year 2007/08 was £261 million.
- The principal sources of public funding for UK film in 2007/08 were the film production tax relief, National Lottery and grant-in-aid from central government, particularly via the Department for Culture, Media and Sport.
- The European Union provided £17.1 million in 2007/08.
- Her Majesty's Revenue and Customs (HMRC) and the UK Film Council were responsible for the largest gross spend (£105 million and £70.6 million respectively).
- Film production took 56% of the total spend, but distribution and exhibition, training and skills, education, and archives and heritage also received substantial allocations.

18.1 Public funding for film in the UK by source

Public funding for film in the UK comes from a number of UK Government, public sector and European sources, including:

- The Department for Culture Media and Sport (DCMS);
- Other central government departments;
- The governments of Scotland, Northern Ireland and Wales;
- The National Lottery;
- Her Majesty's Revenue and Customs (HMRC);
- BBC Films;
- Film4;
- The European Union.

Public funding for film identified in Table 18.1 is estimated to have been £261 million in the financial year 2007/08. The total is likely to have been higher still, as the estimate does not include some local authority, research council, higher or further education and project match funding, as indicated in the notes to Table 18.1.

The largest single source of public funding was the UK film tax relief, estimated to have provided £105 million in 2008, 40% of the total. The second largest source was the National Lottery (£50.8 million, 19% of the total) and the third largest was the DCMS grant-in-aid to the UK Film Council and National Film and Television School (£29.1 million, 11% of the total). The National and Regional Development Agencies provided £14.6 million, BBC Films £12.5 million (up from £10 million in 2006/07) and the European Union MEDIA Programme £11.5 million (£4.6 million in 2006/07).

Table 18.1 Public funding for film in the UK by source, 2007/08

Source	Amount £ million	% of total	Notes
National Lottery Distribution Fund (DCMS) – Film	50.8	19.5	National Lottery allocations to the UK Film Council, Scottish Screen and Northern Ireland Screen, plus Heritage Lottery Fund ⁽¹⁾
DCMS grant-in-aid to the UK Film Council and NFTS	29.1	11.2	Awards to the UK Film Council (of which £16.1 million was awarded to the BFI) and National Film and Television School
National and Regional Development Agencies	14.6	5.6	Contributions to the National and Regional Screen Agencies
BBC Films	12.5	4.8	BBC Films' production investment and contributions by the BBC to NFTS and N/RSA projects – excludes acquisitions etc made by other BBC departments
EU MEDIA Programme	11.5	4.4	European Union MEDIA Programme ⁽²⁾
Film4	10.2	3.9	Film4 (Channel 4's film production company) investment in film development and production plus Channel 4 investment in NFTS and N/RSA projects
Other European Union	5.6	2.1	European Regional Development Fund and European Social Fund
Northern Ireland Executive	4.6	1.8	Includes spend from all Northern Ireland government agencies into strategic bodies/projects
Department for Children Schools and Families	4.5	1.7	DCSF investment in the Mediabox scheme. Match funding in individual Mediabox projects (and other First Light projects) is not collated
Welsh Assembly Government	3.3	1.3	Includes spend from all Welsh government agencies into strategic film bodies/projects
Scottish Government	3.3	1.3	Includes spend from all Scottish government agencies into strategic bodies/projects
Department for Innovation Universities and Skills	1.8	0.7	Awards to Screen Academies, Skillset and N/RSAs

Table 18.1 Public funding for film in the UK by source, 2007/08 (continued)

Source	Amount £ million	% of total	Notes
Higher Education Funding Council	1.3	0.5	HEFC investment in Screen Academies and a small number of projects by strategic agencies ⁽³⁾
Ofcom	0.9	0.3	Contribution to BFI National Archive for television
Foreign and Commonwealth Office	0.9	0.3	Funding for UK-originated British Council activity. Excludes partnership funding of 'in country' events (outside the UK)
Arts Councils	0.7	0.3	Awards from national Arts Councils to film agencies ⁽⁴⁾
Local Government	0.3	0.1	Comprises investment by local authorities in N/RSA activities
Dept for Business Enterprise & Regulatory Reform	0.03	0.0	Award to Film London for film export support
Local authority direct spend	n/a	n/a	Data on local government investments in cinemas, youth activity, film offices etc. are not collated
Other education and research	n/a	n/a	Figures not collated for investment in university courses not part of the Screen Academy network, further education film courses and film-related research awards from research councils
Total public sector selective investment	155.9	59.8	National Lottery and grant-in-aid from all sources as above
UK film production tax relief (HMRC)	105.0	40.2	Estimated cost of the new film tax relief in 2007/08 ⁽⁵⁾
Total public sector selective and automatic investment	260.9	100.0	Sum of all of the above

Source: UK Film Council, Northern Alliance.

Abbreviations

BFI – British Film Institute.
 DCMS – Department for Culture, Media and Sport.
 HMRC – Her Majesty's Revenue and Customs.
 NFTS – National Film and Television School.
 N/RSA – National and Regional Screen Agencies.

Notes:

1. The National Lottery funding figure is for financial year 2007/08.
2. Investment for the MEDIA Programme is for awards made from 1 April 2007 to 31 March 2008.
3. Includes the Higher Education Funding Councils for England, Scotland and Wales, and investment from the Joint Information Systems Committee (JISC) which is HEFCE-funded. Comprises awards to BFI, Screen Academies and other strategic agencies. Does not include payments from educational funding councils to other film courses (film studies etc) in higher or further education.
4. Arts Council England, Arts Council of Wales, Arts Council Northern Ireland, Scottish Arts Council. Does not include Arts Council direct investments in artists' film and video.
5. HM Treasury, *Tax ready reckoner and tax reliefs*, November 2008, pages 14 and 20. There was a residual fiscal cost in 2007/08 for the discontinued section 42 and section 48 tax reliefs which is not shown in Table 18.1 as it relates to previous policy and production years.

18.2 Film spend by organisation

Table 18.2 shows a breakdown of film spend by public organisation. The numbers are presented on a net basis, that is where one film organisation such as the UK Film Council makes a grant to another such as Skillset that grant is deducted from the first organisation's spend in order to avoid double counting. Most of the organisations listed in Table 18.2 make grants to the private sector (for instance for production funding, distribution support and training) so there is another level of delegated activity not shown in this table.

The largest net spender was HMRC (£105 million estimated for tax relief), followed by the UK Film Council (£37.8 million), BFI (£37.1 million) and BBC Films (£12 million). Putting aside HMRC tax relief, net spend increased by 16% from 2006/07 to 2007/08 (from £153.9 million to £179 million).

The biggest increases in spending were recorded by the European Union MEDIA Programme (£4.5 million in 2006/07; £11.4 million in 2007/08), the National Film and Television School (NFTS) (£2.9 million in 2006/07; £7.9 million in 2007/08) and First Light Movies (£1.9 million in 2006/07; £5.2 million in 2007/08). The increase in MEDIA Programme spend represents the level of success by UK companies in winning support from this pan-European scheme. The increase in First Light Movies is due to the impact of Mediabox, a new programme funded by the Department for Children, Schools and Families in 2007/08. The NFTS increase is however due to the availability of more complete figures from NFTS for 2007/08 and appears to represent a more or less standstill picture for actual spending by the school.

See Table 16.3 in the 2008 Statistical Yearbook for the comparable figures for 2006/07.

Table 18.2 Net film spend by organisation, 2007/08

Organisation	Net spend £ million ⁽¹⁾	% of total net spend
HM Revenue and Customs – tax relief	105.0	37.0
UK Film Council ⁽²⁾	37.8	13.3
BFI	37.1	13.1
BBC Films	12.0	4.2
EU MEDIA ⁽³⁾	11.4	4.0
NI Screen	10.0	3.5
Film4	10.0	3.5
National Film and Television School	7.9	2.8
Skillset	6.9	2.4
Scottish Screen	7.5	2.6
Welsh Agencies ⁽⁴⁾	5.8	2.0
First Light Movies	5.2	1.8
Film London	4.4	1.5
Screen Yorkshire	4.1	1.4
North West Vision and Media	3.9	1.4
EM Media	3.5	1.2
South West Screen	2.7	1.0
Screen West Midlands	2.5	0.9
Northern Film and Media	2.1	0.7
Screen East	1.7	0.6
Screen South	1.0	0.4
British Council	0.9	0.3
Heritage Lottery Fund	0.5	0.2
Local Government ⁽⁵⁾	0.1	0.0
Total public sector⁽⁶⁾	284.0	100.0

Source: UK Film Council, Northern Alliance.

1. Net spend means spend after deducting grants and awards to other organisations in this table.
2. The UK Film Council gross spend in 2007/08 was £70.6 million. The UK Film Council made £32.8 million of grants and awards to other organisations such as BFI (£16.1 million), Skillset, Regional Screen Agencies and First Light.
3. Awards made between 1 April 2007 and 31 March 2008.
4. Welsh agencies means Film Agency for Wales, Welsh Creative IP Fund (part of Finance Wales), Welsh Film Archive (part of the National Library of Wales) and Wales Screen Commission (part of the Creative Industries Hub).
5. This is one project by Kent County Council. Otherwise, local government direct spend on film is not captured.
6. The spending tabulated above includes net transfers to and from reserves and spending financed by commercial income (eg from film rights) earned by agencies. For these reasons the total spending by agencies (£284 million) is higher than total public funding for film in the 2007/08 year (£261 million, Table 18.1).

18.3 Activities supported by public spend on film

The various activities supported by public spend on film in the UK in 2007/08 are shown in Table 18.3. Film production took the largest share, accounting for £159.2 million (56% of the total). Distribution and exhibition came second with £35.2 million (12%), followed by training and skills (8%), education, young people and life-long learning (7%), overheads (6%), and film archives and heritage (4%).

Table 18.3 Activities supported by public spend on film, 2007/08

Activity	Amount £ million	% of total
Production ⁽¹⁾	159.2	56.0
Distribution and exhibition	35.2	12.4
Training and skills ⁽²⁾	21.4	7.5
Education, young people and life-long learning	18.4	6.5
Administration/overheads	17.9	6.3
Film archives and heritage ⁽³⁾	12.1	4.3
Script development	7.7	2.7
Export and inward investment promotion ⁽⁴⁾	6.7	2.4
Business support ⁽⁵⁾	5.6	2.0
Total public film expenditure⁽⁶⁾	284.2	100.0

Source: UK Film Council, Northern Alliance.

1. Non-tax break production spend in 2007/08 was £54.2 million.
2. Skills Investment Fund, National/Regional Screen Agency training investment, skills academies.
3. National Film and Television Archive, National/Regional Screen Agency archive budgets, Heritage Lottery Fund investments.
4. UK Film Council International; British Council, locations services in nations and regions.
5. National/Regional Screen Agency investment: primary beneficiaries are independent production companies.
6. 2007/08 total expenditure (£284 million) was greater than total public funding (£261 million, Table 18.1) as expenditure was supplemented by earned/self-generated income, grants from trusts and foundations and transfers from reserves.

18.4 Large film awards by agency 2007/08

Major production awards (greater than £250,000) given by national and regional screen agencies to individual film projects in 2007/08 are shown in Table 18.4. In relation to the median British domestic film budget of £1.7 million (see Chapter 17) and the median co-production budget of £4 million, awards of this size can provide substantial assistance to UK films of distinctive national and regional character.

Table 18.4 Large film production awards (£250,000+) by national/regional agency, 2007/08

Agency	Project (total = 18)	Amount £
Scottish Screen	The Book of Blood	500,000
	Stone of Destiny	440,000
	Doomsday	300,000
	New Town Killers	250,000
Northern Ireland Screen	Fairy Tales	400,000
	Fifty Dead Men Walking	500,000
	Messiah	300,000
	Hunger	300,000
	Desperados	588,333
Film Agency for Wales	Red Mist	247,737
	Abraham's Point	250,000
	Blonde	250,000
Finance Wales Creative IP Fund	I Know You Know	250,000
	The Edge of Love	700,000
Screen West Midlands	Clubbed	250,000
	Faintheart	330,000
	The Day	375,000
Screen Yorkshire	Liberty	320,000

Source: UK Film Council, DCMS, Northern Alliance, N/RSA reports.

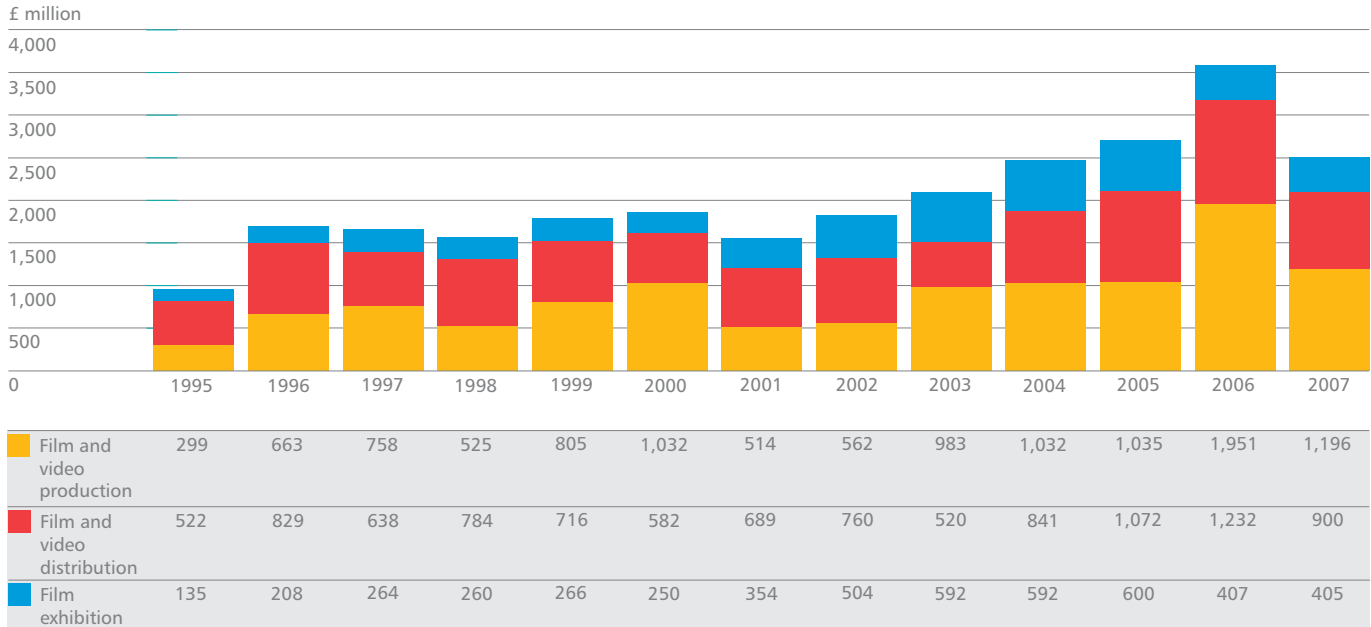
Chapter 20: The UK film economy

The film industry is significant in the UK economy, making a substantial contribution to Gross Domestic Product (GDP) and the balance of payments. Film exports hit an all-time high of just over £1 billion in 2007, generating a trade surplus of over £200 million. Such successes are not just good news for the industry but also for other businesses like tourism which are boosted by the film industry.

Facts in focus

- In 2007, the UK film industry had a total turnover of nearly £6.1 billion.
- Its contribution to UK GDP was £2.5 billion, 0.2% of the total.
- The fastest growing sub-sector was film and video production, but distribution and exhibition also grew substantially.
- The core UK film industry (film production plus distribution and exhibition of UK films) contributed £1.5 billion directly to GDP and £4.3 billion including all indirect effects.
- The industry exported £1,050 million worth of services in 2007, made up of £646 million in royalties and £403 million in film production services.
- Exports in 2007 were 50% higher than in 2001.
- The UK film trade surplus in 2007 was £232 million.

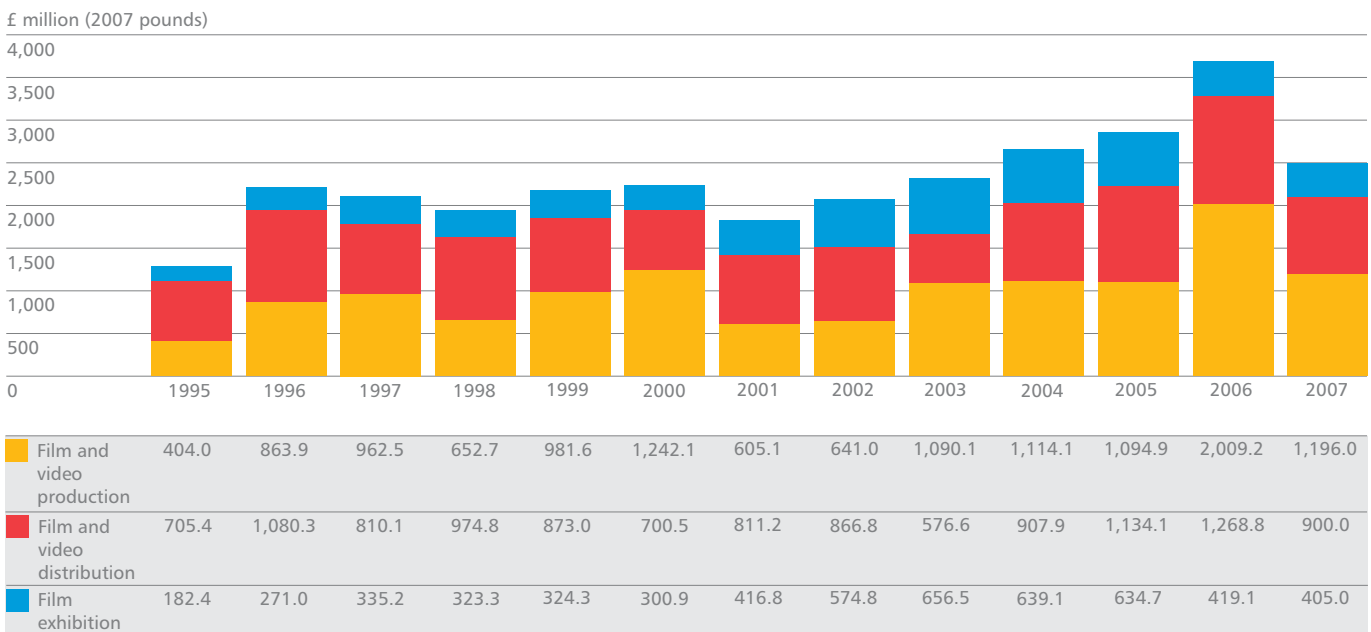
Figure 20.3 UK film industry gross value added, 1995–2007



Source: ONS Annual Business Inquiry.
 'Gross value added' is expressed in actual values, ie not adjusted for inflation.

Figure 20.4 shows the industry's value added expressed in real terms, that is with the effects of inflation removed. There was a sharp increase in real industry GVA in 1995-1996, followed by a plateau from 1996 to 2002. Real GVA then began to increase strongly again, reaching a peak of £3.7 billion in 2006. Real GVA was £2.5 billion in 2007, 94% higher than in 1995.

Figure 20.4 UK film industry real gross value added, 1995–2007



Source: ONS Annual Business Inquiry, HM Treasury.
 The deflator used to calculate real values is the UK whole economy deflator.
 Values expressed in constant 2007 pounds sterling.

20.3 Economic impact of the film industry

During 2007 the UK Film Council and Pinewood Shepperton plc commissioned a study of the economic impact of the UK film industry, which examined not only the direct impact but also indirect contributions, such as those to supplier industries, tourism, culture, merchandising, trade and the promotion of the UK internationally.

The study focused in particular on the core UK film industry, defined as film production in the UK plus the distribution and exhibition of UK films. The analysis showed that the core UK film industry contributed £1.5 billion directly to UK GDP in 2006, with a direct contribution to the Exchequer of £436 million. This GDP contribution rose to £4.3 billion when all indirect effects were taken into account, as shown in Table 20.1.

Table 20.1 Summary of the economic contribution of the core UK film industry

Channel of impact	Total contribution to UK GDP in 2006 £ million	Total contribution to Exchequer revenues in 2006 £ million	Employment impact in 2006
Direct	1,510	436	33,500
Multiplier effects	1,625	420	33,500
British film box office effect	53	8	500
Tourism	900	200	20,000
Promotion/trade	20	5	700
Merchandising	235	105	6,500
Total	4,343	1,174	94,700

Source: Oxford Economics.

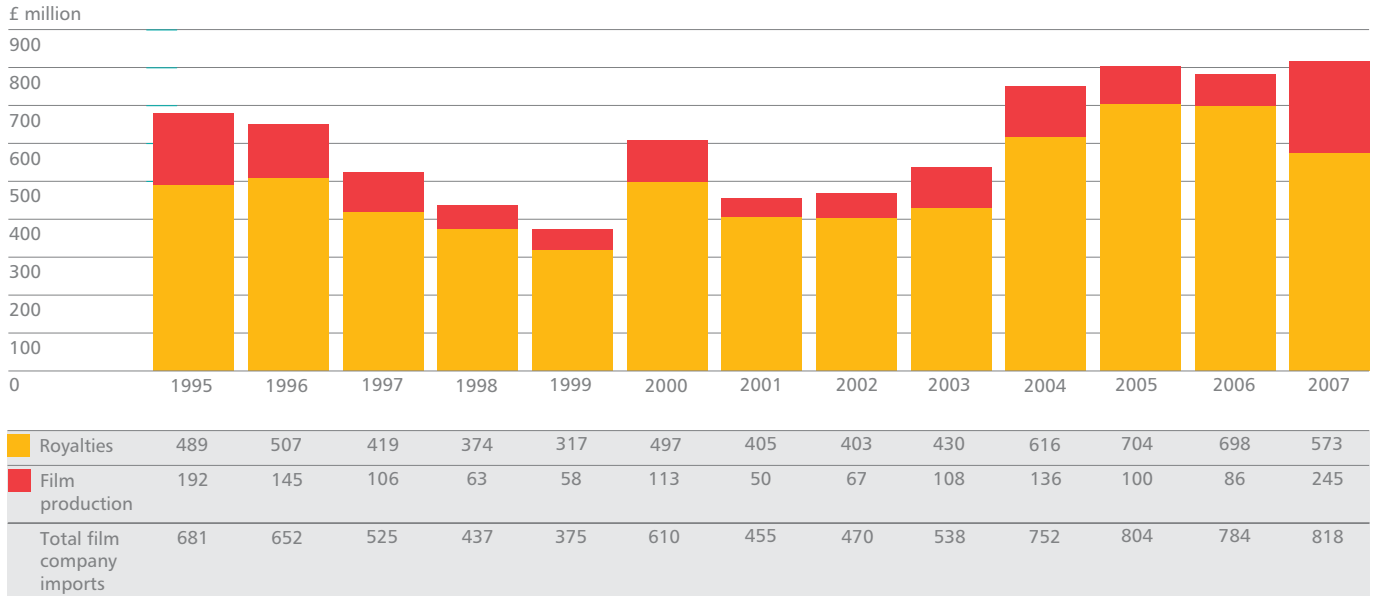
Multiplier effects means the additional economic activity induced in the wider UK economy. British film box office effect is the amount that the total UK box office is raised by the presence of UK films. It is different from and less than the UK film box office share.

A copy of the report can be found on the UK Film Council's website – www.ukfilmcouncil.org.uk/media/pdf/5/8/FilmCouncilreport190707.pdf

20.5 Film imports 1995–2007

The pattern of UK film imports (Figure 20.6) is different to that of exports. The great majority of film imports are royalties, reflecting the limited use of offshore production services by the UK and the payment of royalties for foreign films (particularly USA films) shown in the UK. Film imports in 2007 were about the same as in 2006 and 2005. In 2007, film companies reported a significant increase in imports of production services. The reason for this is unclear, though it is likely to originate from the UK subsidiaries of major US studios as this group reported a significant increase in imports in 2007.

Figure 20.6 UK film imports, 1995–2007

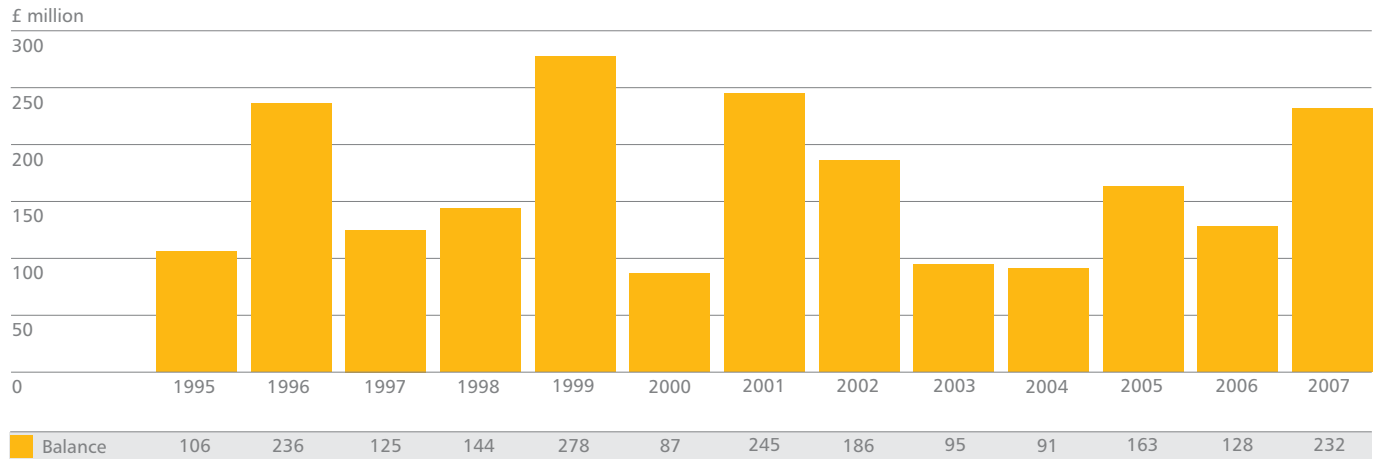


Source: ONS.

20.6 The film trade balance 1995–2007

The film industry has made a continuous positive contribution to the UK balance of payments since 1995, with a trade surplus (positive balance of exports over imports) in 2007 of £232 million, as Figure 20.7 shows. This is significant at a time when the UK's physical trade is showing a large deficit and helps explain the Government's support for creative industries such as film.

Figure 20.7 Trade surplus of UK film industry, 1995–2007



Source: ONS.

Note: 'Trade surplus' equals exports minus imports. Where a company (eg the UK subsidiary of a USA major) receives income from another country on behalf of its parent company and subsequently passes it on to its parent company, this is recorded both as a receipt and as a payment, leaving the measure of the trade surplus unaffected.