

1. Introduction:

- 1.1. Ffilm Cymru Wales is grateful for the opportunity to respond to the government's inquiry and is alert to the wider context that frames this work, in particular the on-going squeeze on grant-in-aid (GIA) resources, now coupled with a significant decline in national lottery receipts.
- 1.2. The push to diversify income, is therefore not a 'nice to have', but an essential approach for any publicly funded arts organisation. This has been the case for several years now in the context of on-going austerity measures with many organisations, ourselves included, maximizing efficiency savings, improving marketing and reach, and fundamentally adapting business models.

2. About Ffilm Cymru Wales:

- 2.1. Ffilm Cymru Wales, formerly the Film Agency for Wales, was established in 2006 following a review of the cultural industries. As the external lottery delegate of the Arts Council of Wales (ACW) and British Film Institute (BFI), Ffilm Cymru Wales supports the strategic development of the film sector in

Wales, in addition to devising, funding and delivering further projects, such as the BIG Lottery-funded Film in Afan scheme (www.filminafan.com), and developing producers and services as an independent company and business in its own right.

- 2.2. Ffilm Cymru Wales does not receive any GIA from ACW or Welsh Government, but does receive c. £120k of GIA per annum (approximately 6.6% of annual income) via the BFI, which leverages lottery and third party funds from applicants, supporting the work of film education practitioners and film exhibitors (e.g. festivals, independent cinemas/arts centres and pop-up film provision).
- 2.3. Ffilm Cymru Wales' work is structured around supporting the production of new work and ensuring that it connects with audiences throughout Wales and beyond; and in training and education to encourage a new generation of film

talent and film lovers. We capture this work under the banner of Make, See, Learn.

- 2.4. In delivering this work we collaborate with a wide range of commercial and public partners in Wales, elsewhere in the UK and internationally.
- 2.5. The company is a social enterprise – a Community Interest Company – with profits recycled to further the company's public good aims and objectives.
- 2.6. For more information please see www.ffilmcymruwales.com

3. Developing the sector:

- 3.1. The core business of Ffilm Cymru Wales is as a strategic financier supporting the development of the film sector and cultural engagement with film in Wales. As such we are distinct from the majority of ACW's portfolio – and seen by HMRC as a financier rather than either a trading body or direct producer or exhibitor of content. This contrasts with arts venues or producing organisations that have a direct relationship with audiences/customers where they can sell seats, experiences, snacks, etc.. That is, Ffilm Cymru Wales is a B2B rather than B2C entity, moreover where the client business – whether it be a film production company, cinema, film festival or education practitioner – is seeking funds from us, rather than to pay for a service. We provide this service on behalf of ACW and BFI and circa 86% of our income of c.£1.8m is paid out to third parties in this way to benefit upwards of 70 applicant organisations per annum.
- 3.2. As a sector development body with its core service as a lottery delegate as described, Ffilm Cymru Wales has positioned itself to develop and add monetary value to public funds and diversify income streams in three ways:
 - Leveraging investment;
 - Providing training and financial facilitation to encourage changed behavior in the sector – particularly encouraging broader exploitation of intellectual property (IP) and increased audience reach;
 - Developing new products and services.

4. Leveraging investment

- 4.1. The lottery finance that we provide requires co-finance to be able to draw it down. In the case of production funding, where we spend the majority of our funds, there has been an average of £7.52 of third party finance raised for every £1 of Ffilm Cymru Wales funding. That equates to a total of £51,182,655 of partnership funding to our production investment of £6,804,288 in the financing of 60 feature films, including 10 in the Welsh language.
- 4.2. Co-financing comes from many and varied sources including:
 - 17 films (28% of supported features) accessing financing from international co-production (totaling £3,997,604);
 - £5,100,673 raised from private investment incentivized through EIS, SEIS or VCT tax wrappers; and
 - £12,897,528 from the pre-selling of distribution rights in advance of production, including equity contributions from broadcasters such as BBC Films, S4C and Film 4/Channel 4.

5. Developing and adapting business practice

- 5.1. Over the last 5-years Ffilm Cymru Wales has researched, tested and developed its Magnifier approach to developing the sector – to make the most of good ideas. Magnifier is essentially about maximizing the value of intellectual property (IP) and market awareness to increase revenue and audience potential.
- 5.2. Ffilm Cymru Wales achieves this increased revenue and audience potential by:
 - The early and systematic identification of IP potential, backed up with funding and multi-disciplined networks that can enable exploitation. This has allowed producers to develop games, education assets, publications, soundtracks, merchandise and stage/tv adaptations, for example, with a third of supported projects having additional IP offered alongside their feature films.

- An environment that supports shared and accelerated learning – through the systematic gathering of data, case studies and research benefitting filmmakers who are introduced to cohorts of their peers and experts from varied disciplines.
- The early and systematic evaluation of audience/market potential of projects, with distribution and marketing experts, backed up by flexible funding and working approaches that enable tailored market and distribution strategies to be seen through including the creation of teasers and proof of concept materials (including for crowdfunding/sourcing platforms), for example, that test and build markets and low cost.

- 5.3. Supported projects include sci-fi feature, *The Machine*, with its WJEC co-produced education resource, soundtrack and tv pilot series for Universal/SyFy channel; book adaptation, *Submarine* with its accompanying soundtrack; the animated feature, *Ethel & Ernest*, with its accompanying soundtrack and education resource; and horror feature, *Don't Knock Twice*, with accompanying VR game, released this month through Sony Playstation.
- 5.4. It is worth noting though that whilst potential sector income is increased and diversified in this way, as a public funder, Ffilm Cymru Wales is necessarily further down the recoupment waterfall than commercial co-financiers. There is a long lead in time from development to exploitation – often upwards of 5-years; and most independent feature films don't fully recoup their cost of production (hence the rationale of lottery funding being used to support new and emerging talent to offset market risk). Therefore, the benefits of this adaptive business model are first and foremost for the broader sector – including the independent production companies and talent we're supporting, rather than there being an expectation of significant additional financial resource for Ffilm Cymru Wales itself.
- 5.5. With this shared learning principle in mind, at corporate level we are increasingly collaborating with our colleagues across the national arts companies both at project level (where collaborations include the Port Talbot Passion Project/Gospel of Us and the current Save Our Steel revisiting of Port Talbot stories with National Theatre Wales; 2117 opera film collaboration with WNO and their youth opera, or the collaboration in which all 8 of the national arts companies have come together to examine and exploit joined up opportunities to refine our work around audience development;

skills; international profile and shared research. One of the motivations behind the coming together of the national companies, was to explore the potential to diversify income, through increased potential scale and impact.

5.4 For information, including line-ups for previous Magnifier cohorts, please see: <http://www.ffilmcymruwales.com/index.php/en/company-details-and-contact/magnifier>

6. Developing new products and services

- 6.1. As noted above, when an arts organisation is set up and known for its provision of free at the point of use financial services as a lottery delegate of ACW and the BFI, and it has no direct customer facing business (as with an arts venue or production company), routes to diversifying its own funding – as opposed to encouraging diversification of income in the sector, as above – are limited. However, Ffilm Cymru Wales sees opportunities in developing new products and services particularly in the area of education and training, opening up earned income potential.
- 6.2. Ffilm Cymru Wales has supported third party education practitioners in the provision of lottery funding since our inception and are therefore mindful that any product or service that we might develop needs to be addressing a gap in provision and not in direct competition or undermining the sector we're tasked to support.
- 6.3. We are currently in the proof of concept stage of our work in this area, but early indicators are promising with potential to develop our Foot in the Door new entrant training programme into a trading activity, providing an improved employability service to Housing Associations, focusing on transferable skills (e.g. hair-dressing, carpentry, design, administration) that can apply across the creative industries, arts and broader sectors. We are also exploring the potential to reversion UK education resources (co-financed with WJEC and free at the point of use for schools) for international markets.
- 6.4. For more information on Foot in the Door see: www.ffilmcymruwales.com/index.php/en/film-educators/foot-in-the-door

7. Challenges:

- 7.1. As should be clear from the above, there is no complacency around the need for diversifying income, but equally no quick fixes or easy answers.
- 7.2. It would be remiss not to note the various challenges to diversifying income for film (many of which apply to the wider arts) including:
 - the public perception of what they will and wont pay for, and at what price point (with long traditions of free content/experience – from libraries and museums, to free or ultra-low cost on– line content);
 - Increased competition for consumer time;
 - Increased marketing power of competitors – with increasingly large/concentrated cultural ‘players’, who have access and resource to use big data in targeted marketing campaigns; Harnessing this is possible – e.g. when collaborating with a well-resourced broadcaster, but it is not a given for all arts organisations or projects;
 - Competition for philanthropic funds – where the arts can be pitted against health & education, for example, which may be seen as ‘more worthy’;
 - The creation of cultural work is time intensive and practitioners have developed their artistic approach over many years – the adaptation of business models has to operate within this broader context.
- 7.3. For film in particular, there is a lack of philanthropic funding, with opportunities tending to lie more with investment, which favours more established companies and commercial propositions. This is a challenge for the independent sector, and particularly the emerging indigenous companies and talent within Wales as they develop their track-records and business enterprise. Funding provided through Pinewood/Welsh Government is offered on commercial terms (Market Economic Investor Principle), which has historically favoured more established companies based outside of Wales.
- 7.4. Notwithstanding this challenge, as we have evidenced in Section 4, Ffilm Cymru Wales has leveraged significant private investment, alongside market pre-sales and international co-production funds, collectively contributing c.£22 million of the £51,182,655 in co-financing, leveraged by our £6.8m of

lottery investment. Our investment specifically prioritises Welsh talent – particularly writers, directors, producers and production companies for British qualifying productions (per national lottery requirements), whilst encouraging international collaboration.