

Response to Senedd Cymru/Welsh Parliament inquiry into the Covid-19 outbreak and its impact on culture, creative industries, heritage, communications and sport.

Introduction: Ffilm Cymru Wales is a development support body for film in Wales, managing lottery funding for the sector on behalf of the Arts Council of Wales and the BFI. Please see www.filmcymruwales.com for more information.

What has been the immediate impact of Covid-19 on the sector?

Covid-19 has had and is likely to continue to have a profound impact across the creative industries. These impacts in Wales include:

- The closure of all cinemas, mixed arts venues and community providers of film screenings, as required by Welsh Government from the 20th March. This includes 13 commercial sites (such as Vue, Odeon and Cineworld) and circa 290 independent providers – including mixed arts centres such as Chapter Arts Centre, Galerie Caernarfon, The Torch in Milford Haven and Pontio in Bangor. Most staff are furloughed. No redundancies have been announced as yet.

Despite rate relief, the UK Government's Job Retention Scheme, Arts Council and Welsh Government programmes, exhibition businesses continue to experience significant losses. For example, an established independent mixed arts venue cited lost earned income (from ticket sales, room hire, food and drink) of c.£240k every month. Venues (in the Independent Cinema Office survey¹) anticipate costs increasing by up to 20% to implement safety adjustments, whilst seating capacity will be significantly reduced (ranging from 50-80% depending on venue) to maintain social distancing.

- The cancellation, postponement or reimagining of film festivals – across Wales, the rest of the UK and internationally. For example, Cannes moved to an on-line only 'virtual market' disrupting how business takes place, whilst home-grown festivals are trialing on-line delivery, as with Cardiff Animation and Iris Festival.
- Significant disruption to distribution for films that have recently completed – including Euros Lyn's *Dream Horse*, which told the story of a Valley's community who raised a race-horse, and Mad As Birds' film *Six Minutes to Midnight* with Eddie Izzard and Judi Dench. New releases have to be planned in an environment where distributors – who are also investors – are mindful of reduced cinema capacity and uncertain public confidence once venues re-open. This shock to market confidence is likely to have longer-term implications, where we might expect to see distributors less willing to pre-buy films or offering reduced amounts, which will make financing future films more

¹ ICO Survey 2020 https://s3-eu-west-1.amazonaws.com/ico-assets-live/wp-content/uploads/2020/05/21164613/ICO_COVID-19_Reopening-Cinemas-The-Independent-Way.pdf

challenging. For some smaller budget films there will be less opportunity to have a theatrical release at-all. This has financial implications as acquisition prices for independent films on digital platforms and through broadcasters tend to be far lower than prices paid when those distributors are investors in the production.

- Significantly reduced film production. Whilst broadcasters have done a fantastic job in continuing to provide journalistic content and some scaled-back 'lock-down' productions, it has been practically impossible for most film productions and high-end TV to progress in the current climate. The only Ffilm Cymru production currently progressing is an animated feature, where remote working is possible, which happens to be a European co-production with Ireland and Belgium. Otherwise, Covid-19 has seen twelve Ffilm Cymru co-funded feature films and two short films interrupted.
- Freelancers, service and facility companies are at risk. Many are not able to access support mechanisms. There are deep and significant implications the longer this situation progresses, as reflected in Oxford Economics' report commissioned by the Creative Industries Federation, in which **Wales is projected to lose 26% (15,000) of its creative jobs and see a 10% (£100 million) drop in creative industries GVA.**²

At UK-wide level the Oxford Economics report cited a predicted loss of £74 billion in revenue and 400,000 jobs this year across the creative sector, including £36 billion in revenue (-57%) and 102,000 (-42%) of jobs attributed to film, tv, video, radio and photography and £827 million (-58%) loss of revenue for postproduction and vfx.

- Increase in development – whilst filmmakers are unable to proceed with productions they are focusing, where they can, in (re)developing material. As with many sector financiers we have redeployed or accelerated the availability of development funds – at project, personal and company level - and have seen an uptake in demand.
- Reimagining skills and training pivoting provision on-line where possible with some benefits in terms of increased geographical reach, frequency of available sessions and numbers of attendees. This comes with the caveat that this delivery doesn't suit all circumstances and can limit socially inclusive access.
- Independent film education practitioners are experiencing financial difficulties, whilst unable to deliver their programmes in partnership with exhibitors, community venues or schools, which have been closed from the 20th March, except for key worker provision. Around a third of the applicants to our Emergency Relief Fund were workers in this field.
- Significantly reduced lottery funding. Camelot reported a reduction of income from £150m per week (end of Feb 2020) to £116m per week by the end of the end of March³.

² The Oxford Economics report, *The Projected Economic Impact of Covid-19 on the UK Creative Industries* see <https://bit.ly/2AFIBcu> was commissioned by the Creative Industries Federation

³ Camelot Reporting for March 2020: www.camelotgroup.co.uk/assets/Uploads/Camelot-Sales-March-2021.pdf

Camelot state that the £36m (24%) *per week* drop is “primarily driven by Covid-19” with retail purchases significantly impacted by the reduction of in-store shoppers and shops moving to paperless transactions. This is extremely concerning when taking into account that to-date, the National Lottery has raised over £41 billion for Good Causes, including the arts and film, supporting 565,000 individual awards across the UK – the equivalent of more than 200 lottery grants in every UK postcode district⁴. The fall in lottery income is therefore something we should all be concerned about and make every effort to reverse as retail recovers.

How and when businesses within the creative industries think they will be in a position to resume work

Exhibition: Whilst larger commercial operators have indicated opening from July, subject to Government regulations, none of the (27) venues that we fund anticipate opening before October when we can expect to see a phased return. 41% of respondents to the ICO survey do not expect to be able to re-open until social distancing measures ease. Once open, exhibitors are concerned about public attitudes to returning to cinema.

UK-wide safety protocols for exhibitors are in the process of being agreed with UK Government, having been signed off by Public Health England (PHE) and the Health and Safety Executive (HSE). Welsh Government and exhibitors have been consulted and it is expected that they will be published shortly.

Drive-in cinema protocols have been published and we are in discussion with exhibitors who are interested in exploring this. Similarly, we anticipate that some may consider out-door cinema offerings. These may feature earlier than the October venue offerings.

Production: Covid-19 safety protocols were published for film and high-end tv⁵ on the 1st June and free on-line training will be provided by sector skills’ council, Screen Skills, from the end of June. All individuals who go on set will be required to undertake training.

These detailed protocols are anticipated to increase production budgets by an average of 15% and will require significant adaptation in what and how productions proceed, including productions either raising additional funds to cover those costs, or more likely, reconceiving how they approach production to reduce costs where they can – this might, for example, include reducing crew sizes, shoot durations and/or creatively revisiting the script. Productions will be required to have a suitably experienced Covid-19 supervisor who has the authority to do whatever is required to ensure safety compliance, including shutting down a production if necessary. The protocols cover all aspects from travel to catering, waste disposal to the use of and cleaning of equipment.

⁴ The National Lottery: Life Changing <https://www.national-lottery.co.uk/life-changing/where-the-money-goes>

⁵ British Film Commission - Working Safely During COVID-19 in Film and High-end TV Drama Production guidelines <https://bit.ly/3fCJ5Pq>

We might expect to see some limited film production work start to take place, potentially from August/September, including films that were in production when lock-down happened who may be able to access the BFI's Continuation Fund⁶. However, in such a challenging environment where some films are just not feasible others are postponing shoots until next year.

A significant impediment to productions re-starting is the insurance exemptions for Covid-19 related losses. Unless and until such time that that challenge is overcome **it will not be possible** for most mid-level productions – that is films or high-end TV that are multi-party financed, with budgets above c.£1.5m – to resume. This is because the risk of loss will be too significant for production companies, financiers and distributors to accept. The exceptions to this may be some animation production where remote working allows productions to continue and studio/streamer financed productions, who effectively 'self-insure', albeit that they will be cautious and controlled in their approach. This issue is likely to require Treasury level intervention and to that end discussions are taking place – spearheaded by the producers' body PACT and the BFI – around the potential for a production finance guarantee.

Clearly, the longer the delay in productions resuming – the harder the prospects for the many freelancers, service and facilities companies that work on those productions. This is reflected in the Oxford Economics projections and is exacerbated by the fact that many individuals are ineligible for current UK and Welsh Government support measures.

How effectively has the support provided by the Welsh Government, the UK Government and arms-length bodies addressed the sector's needs?

In our experience, Welsh, UK Government and arms-length bodies – including the Arts Council of Wales, the BFI and ourselves as lottery delegates have all acted remarkably quickly, flexibly and collaboratively to redeploy funds and to get money out into the sector. However, the recovery phase will see sectors working at different paces and there will be a need to have a more nuanced approach to continuing and adapting support, including addressing gaps in provision, if we are to avoid deep and long-term damage.

UK Government:

Despite the Job Retention Scheme and Self-employment Support Scheme, for many workers and freelancers working behind-the-scenes in film, TV and film festivals, The Film and TV Charity has been their only source of financial support. They distributed one-off grants totaling £3m (offering between £500 and £2,500 per person) with 4% of funds going to applicants from Wales. That funding came from Netflix (£1m), the BFI, BBC Content (£500k), BBC Studios, Sky, Warner Media and private donations. The total ask – back in April - exceeded available funding by £2m.⁷

⁶ BFI Continuation Fund - <https://www.bfi.org.uk/supporting-uk-film/bfi-covid-19-production-continuation-fund>

⁷ <https://filmtvcharity.org.uk/news-event/urgent-appeal-to-re-open-covid-19-relief-fund/>

According to the Film and TV Charity's survey⁸:

- 93% of industry freelancers were not working due to the crisis;
- 74% did not expect to receive any support as they were ineligible for UK Government's Self-employment Income Support Scheme or have not be furloughed under the Job Retention Scheme.
- 74% of respondents were very or extremely worried about their income in coming months.
- 45% were worried about meeting basic living costs (food, medicine, accommodation).

Given the scale of the creative industries, these are issues that can only be effectively resolved at Treasury level.

The Bounce Back loan scheme has been welcomed as being more applicable to creative sector companies – albeit that it is a loan and is capped at 25% of turnover, when production companies tend to have limited turnover as each production is run through a Special Purpose Vehicle/limited company to limit liabilities and assets to the production's financiers.

Welsh Government:

We understand that Welsh Government's Resilience Fund has benefitted around 360 creative businesses across Wales in the first round. This is very welcome, as is the adaptation in the current round that enables non-VAT registered businesses to apply.

We also welcomed Creative Wales swift moves to establish sector stakeholder groups and to establish emergency development funding for TV, Digital and Music.

Other support has been provided by the broadcasters, who each offered rapid commissioning/development support and Clwstwr, who put out an R&D call.

Ffilm Cymru

At a policy level we have regularly participated in Creative Wales' and the BFI's various 'task-forces' across production, skills, distribution and exhibition to share data, co-ordinate support and develop Covid-19 guidelines. Recognising our relatively small financial resources, we have targeted our interventions where there have been gaps and where our level of investment can make a difference. Support includes fast-tracking payments on pre-existing awards; sharing sector learning – such as case studies of taking festivals on-line; facilitating networks and on-line training and **accelerating, repurposing or redesigning up to £700k** of in-year funding to support Covid-19 related needs, providing:

⁸ Film and TV Charity survey findings: <https://filmtvcharity.org.uk/news-event/covid-19-relief-fund-launches/>

- Emergency Relief Funding for writers, directors, producers and film education practitioners in financial need, who could apply for up to £1,500, which has supported 39 individuals to-date.
- Development funding for production teams. We received 24 applications to our April call with a total financial ask of £450K and having since introduced a rolling deadline. We expect to invest £200k by the end of September.
- Funding for individual applicant writers, directors or producers to further their continued professional development (up to £6k per applicant) or film project (up to £10k) in its early stages. 22 applications received in the first quarter (double what we'd usually see), with a total ask of over £155k.
- £170k of exhibitor funding that can be applied as needed – including for core operational, marketing and re-start costs. Designed to complement the BFI's Film Audience Network funding offered in May.
- Small innovation grants for film education practitioners – as they test new ways of working, in advance of project funding.

Anticipating a shortage of supervisor level Covid-19 safety advisors we are additionally offering:

- Non-repayable grants to cover the costs of training five individuals to take the National Certificate of Occupational Health & Safety. Currently there are only 8 safety professionals registered on Wales Screen and Screen Alliance Wales' production database. Covid-19 supervisors will be required on all productions to comply with published safety protocols.

And to nudge financial benefits out to freelance crew and service providers where we can:

- Flexible company level interest free loans for Welsh production companies that have film, tv or animated projects that are viable to progress to production within the next 6-months. This is intended to leverage our financing and facilitate employment. The loan (of up to £40k) can be applied to company needs, but should include fees for freelancers and a trainee, demonstrating inclusive hiring.

Effectively we have re-designed the year's funding operation, whilst retaining sufficient funds to co-fund production later in the year. Production activity sees the greatest leverage of our investment – enabling significant co-financing (on average £9 for every £1 we invest) to be cashflowed, supporting jobs and services. We will be keeping a watching brief on this however, and consider any further need to redeploy funds, particularly if the on-going defects in insurance and relief needs continue.

What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?

As detailed above (in the assessment of immediate impact) there are already indicators of a potentially significant contraction of the workforce and the businesses that serve this sector. To avoid this, financial support is needed that can be accessed by freelancers, sole traders and

micro-companies that addresses current gaps and provides repeat provision where necessary, at sufficient levels to cover the longer period that will be needed for this sector to recover.

Aligned with this, there is a need to work with UK Government to provide a financial mechanism to address Covid-19 related insurance exclusions that are currently preventing many productions from proceeding. Proposals are in with Treasury, but the importance of these being adopted cannot be over emphasized.

Whilst so much attention is turned to immediate relief there is a significant risk that unintended consequences will result. For example, the diversion of funds previously earmarked for training and skills could impair our collective ability to support workers in advancing transferable skills that help individuals to be more adaptable and to fully exploit their intellectual property. We are lacking resource to develop new entrants at a time where we look likely to lose sector capacity.

There is a real and present danger that the creative sector will become even less representative of the diversity of our population, particularly in relation to race and ethnicity, people living with disabilities and people who experience socio-economic disadvantage. We need to double-down on policy and investment that enables social inclusion and fair employment for all, from new entrants who need access to training, placements and support networks, to opportunities at the highest level to establish and grow businesses and new ways of working.

What lessons can be learnt from how the Welsh Government, the UK Government, arms-length bodies and the sector have dealt with Covid-19?

It has been a positive experience to see how quickly, collaboratively and transparently support bodies – from Government to arms-length and the private sector – have been able to adapt and act when they've needed to. Whilst we suspect that that speed is not sustainable over prolonged periods, as it has potential costs in mental-health and team capacity, it would be valuable to reflect and consider how this more agile way of working could continue.

Speed has required 'blunt instruments' to be put in place as initial measures. They have been vital for many – but an ill-fit or useless for others. We need to consider how to continue to adapt measures and address gaps, which will necessarily need a more nuanced and sector specific response. Enough resource needs to be set aside for this and planning that takes us into the medium and longer term. As yet, relatively little thought seems to have gone into how the impact of Covid-19 has more fundamentally shaken long-standing sector business models and the longer-term consequences of that. We are a long way from recovery and we need to consider what we want in the 'new norm' – including social inclusion and fair work.

How might the sector evolve after Covid-19, and how can the Welsh Government support such innovation to deal with future challenges?

It's hard to imagine 'after Covid-19', when it seems that we will be managing 'with Covid-19' for the foreseeable future. However, as we continue to innovate, it will be vital to design for the future, now, rather than striving for a poor facsimile of what has gone before.

We'd suggest that there is more work to be done to:

1. Reassess and strengthen the resilience of our sector, including exploring new business models that safeguards all types of workers – from freelancers and sole traders, to trainees and company directors. How can we be greater than the sum of our parts?
2. Incentivise environmentally responsible innovation in the creative sector – including new partnerships between creative/digital companies and utility, transport and waste management corporates. This has been an under-developed area for the creative sector, possibly as a result of the pre-dominance of micro and small companies. Many of us have seen environmental benefits to lock-down and different ways of working – now would be a good time to extend that way of thinking.
3. Double-down on diversity and inclusion. Enact the principle of 'nothing about us, without us' to ensure that people who are under-represented in our sector(s) have full access to design and lead the change they want to see.

18.6.2020