BRITISH SCREEN ADVISORY COUNCIL
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13 October 2017

Rt Hon. Philip Hammond MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Dear Chancellor,

The role of EIS and SEIS in supporting UK film and TV production

As you prepare for the first Autumn Budget, we would like to underline the key role that the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) play in supporting investment in small and medium sized enterprises (SMEs) engaged in film and TV production in the UK. As an industry umbrella organisation with a membership comprising senior figures from across the audiovisual industries, the British Screen Advisory Council (BSAC) is clear that the schemes are enormously helpful in securing early stage investment in the high-risk activity of film and TV production.

Reports have been circulating that, following a consultation on financing growth in innovative firms, the Patient Capital Review may recommend that you should add film and television production to the list of excluded activities for both EIS and SEIS. We consider that such a move is not justified and would have a severely detrimental effect on a key part of the Creative Industries, at a time when the Government's Industrial Strategy has identified the sector as one of five world-leading sectors which should be cultivated in order to drive future economic prosperity for the UK.

The Creative Industries as a whole are growing strongly and the audioviusual sector (which includes film, TV and video games) is more than playing its part in that success, attracting continuing strong inward investment in film and TV production in the UK. However, such success can mask the fact that the UK independent film sector, in particular, is currently in choppy waters as it navigates the transition to digital distribution and sales models. This transition has seen a marked reduction in revenues from international pre-sales, for example from DVD distributors, which have traditionally played such a crucial role in the complex finance packages that fund the production of UK independent films. This decline in pre-sales has not yet been offset by new and growing revenues from video-on-demand or by the emergence of new buyers in the form of streaming platforms such as Netflix. In such circumstances, risk equity funding – of the type encouraged by EIS and SEIS – has become even more vital. This is a hit-driven business, in which the winning productions need to pay for the losing productions. The rewards of success are high, but the sector's risk profile has always made access to risk capital a challenge and that challenge is particularly hard during the current transition period.

This concern is not a narrow one: Independent film and TV production is a vital part of the UK audiovisual sector, playing a number of important roles. It is an incubator for talent in front of and behind the camera. Such talent is a key factor in attracting inward investment and a world-beating talent pool can only be maintained and developed by having an active independent production sector that gives much raw talent its first opportunity and helps keep production services and facilities busy between 'blockbuster' productions. Independent film and TV production is also a key element of the UK's cultural landscape, driving soft power benefits and promoting the UK internationally through breakout worldwide hits. Maintaining a healthy independent film and TV production sector is important to the health of the whole UK audiovisual sector, which exists within a complex eco-system. Tampering with such an eco-system in the manner proposed risks introducing imbalances with wide-ranging negative effects over time.

We are aware that a rationale being advanced in favour of excluding film and TV production from EIS and SEIS is the fact that such activity also benefits from tax credits. Such an argument misses the point that the two initiatives are intended to address two distinct issues. EIS and SEIS support the creation and sustainability of UK independent production entities, whereas the tax credits serve to enhance the competitiveness of the UK as a production location, helping to sustain domestic production and drive record levels of inward investment. However, the success of the tax credits does not remove the need for risk equity funding to be in place to support the emergence and growth of SMEs in the UK film and TV production sector.

Any measure, or package of measures, which further limits the ability of UK independent film and TV production businesses to secure risk equity funding would be likely to have a chilling effect. This would be particularly unfortunate given the key role identified for the Creative Industries in the Government's Industrial Strategy. Just last month, the Independent Review of the Creative Industries jointly commissioned from Sir Peter Bazalgette by the Business and Culture Secretaries highlighted the lack of readily accessible finance for Creative Industry firms as a barrier to growth, noting that Government analysis carried out by BIS and DCMS in 2011 had identified especially acute market failures concerning access to finance in creative content sectors such as film and TV.

We therefore strongly urge you to resist calls to simply exclude film and TV production activity from EIS and SEIS. Instead, we encourage the Treasury to engage with the film and TV sector to find ways in which any legitimate concerns about 'asset backed' schemes exploiting EIS/SEIS can be addressed in a proportionate manner and without causing significant damage to a key part of the complex UK audiovisual eco-system. BSAC is currently working with its members to identify how this might best be achieved and will share its conclusions with you shortly.

Yours sincerely,

Pete Johnson
Chief Executive