

ASSESSMENT OF THE OTHER CINEMA (EXHIBITION) LIMITED

Background Information

The assessment was initiated 21st December, 1976 by a Working Party of the British Film Institute, Greater London Arts Association, Arts Council of Great Britain, Greater London Council, London Boroughs Association, and the Inner London Education Authority. The brief was to examine the management structure of The Other Cinema (Exhibition) Limited in relation to the financial situation and programming policy and to make confidential recommendations on the possible need for further public funding.

Assessment Panel

GLAA Maureen McCue (Film Video Officer)
 Phyllis Hemingway (Finance Officer)
 David Pratley (Director)

BFI Barrie Ellis-Jones (Regional Officer)

Administrative Secretary, Maureen McCue

The Assessment began in February 1977 and the first formal meeting with a member of Staff and a director of The Other Cinema (Exhibition) Limited took place at the offices of The Other Cinema Limited, the distribution company, on 14th March, 1977. A Report was prepared by 13th May, 1977.

I Findings of the Panel

1. Policy The Other Cinema plays a valuable cultural role in screening in the West End of London independent productions of social significance which would otherwise be unlikely to receive such exposure.
2. Financial The Other Cinema (Exhibition) Limited is carrying a capital and operating deficit estimated at approximately £38,500.

Short term finance	£24,438.51
Print investment	£10,000.00
Box Office losses to date	£ 4,000.00
	<u>£38,438.51</u>

£28,438.51 is borne by creditors. Further credit of £6,000 offered in March '77 could potentially be raised from The Other Cinema's bankers against personal guarantees.

The Company's accounts, provisionally audited up to December 31, 1976, show debts of £22,810.91 and operating losses of £1,627.60. Information from TOC staff indicates a further operating loss of £1,591.71 from 1.1.1977 to 10.3.1977. An accurate assessment of the financial position is hindered, as the figures presented to the Panel have not shown trading and capital accounts as separate items.

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There were three reasons for the cinema opening with debts of £22,810.91. One was an escalation in building costs from the original Autumn 1975 budgeted £18,000 - £20,000. The revised estimates in July 1976 to the BFI increased the budget to £34,606. A final figure in September 1976 amounted to £36,552.68. The Other Cinema chose to commission the builder who had submitted the highest tender because he engaged to carry out the work within a fixed short period of time.

A second reason was that the Other Cinema had failed to reach its fundraising target. The fact appears to have been masked by inadequate recognition of the extent of the Other Cinema's fund-raising expenses, which stand at £15,792.42 against a gross fund of £37,947.20.

The third reason was that at no stage were professional fees included in any estimate. These amounted to some £4,000.

The Panel has been informed that the distribution company has a cash shortfall at June 17, 1977 of £6,502, which the company regards as being within the limits of a tolerable trading deficit. The Panel was also informed that the distribution company requires some £10,000 in the current financial year for the purchase of prints, and that this is an operational necessity. Audited accounts are not yet available, but the Panel has been informed by representatives of The Other Cinema that these should be available by the end of July. At their completion a firm audit of the exhibition company's accounts will also be available. The Other Cinema hopes to raise the £10,000 requirement from private funding bodies as part of an overall funding strategy.

Operating Costs Estimates

The operating cost estimates published by The Other Cinema in September 1975 projected a weekly breakeven figure of £1,429. The actual average at May 1977 is approximately £1,700. An average week shows costs underestimated by £234 and revenue overestimated by £52. The main areas of overexpenditure are salaries and publicity.

Operating Costs

For the first five month period of the cinema's operation up to March 10, 1977, the operating deficit was some £3,300. It is, however, difficult to project an annual operating deficit figure, as the deficit was partly incurred by unco-ordinated expenditure over budget, a situation which the Panel has been assured will not be repeated.

Programming

The programme at The Other Cinema has not been able to attract a sufficiently large audience to provide the revenue needed to cover the cinema's operating costs.

3. Management Structure Background

The Other Cinema Limited, the distribution company, has existed since 1971, and is registered both as a company (no. 702.320 with the Companies Registration Office) and as an educational charity (with the Charity Commission). In accordance with the latter's regulations, the charity is governed by a Council of Management. The Company Secretary is Nick Hart-Williams.

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The Other Cinema (Exhibition) Limited, the cinema company, is a registered company, wholly owned by The Other Cinema Ltd. To fulfil legal requirements, it has a three-person board of directors (Nick Hart-Williams, Paul Marris, James Robertson). Any profits from The Other Cinema (Exhibition) Ltd are covenanted to the charity The Other Cinema Limited.

The Council of Management legally relates to The Other Cinema Limited. In practice it governs The Other Cinema (Exhibition) Limited which only needs a three person board of directors. It is currently governing the wrong company.

Council of Management

The Council of Management is the 'sovereign' body of The Other Cinema. It meets at least once a month, though it was convened more frequently during the period up to the opening of the cinema. All staff members may attend, and participate in the Council's deliberations. (Most do, provided they are not working at that time).

The Council decides - and is ultimately accountable for - overall financial and cultural policy, and settles disagreements between staff that cannot be resolved at staff-meeting level.

The replacements for departing Council members have been appointed by the Council. The company's Articles of Association, however, provide that such appointments be made by the Association of Members. This Association is only now in the process of being set up and the relevant Articles complied with.

The composition of the Council is as follows:

Steven Dwoskin	Film-maker and film teacher
Nick Hart-Williams	Company Secretary; film student
Dave Hopkins	Film-maker (Bristol)
Marc Karlin	Film-maker
Laura Mulvey	Film-maker and film teacher
Lynda Myles	Festival director (Edinburgh)
Patsy Nightingale	Ex-member of staff; film production assistant
James Scott	Film-maker

The Collective Structure

The staff and Council of Management of The Other Cinema are a collective. This means in theory that everyone has an equal say, assumes equal responsibility for all aspects of work and engages in public self criticism. In practice it has been poor administration. No one appeared to know who was responsible for what, one rarely contacted the same person over the same matter and there was much confusion. Historically, The Other Cinema Ltd (Distribution) operated as a collective. There were roughly three people sharing an office and similarly related work. However, in a cinema the jobs are so diverse and specialised that the collective structure resulted in very poor management. This resulted in inefficiency and the need for more staff and more meetings. TOC wrongly pinpointed the physical separation of cinema and office as the problem.

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There are many meetings at TOC. A staff meeting is held each Monday and contentious decisions are put to a vote. Titles recommended for distribution are ratified or not and overall policy settled by the Council of Management is discussed and suggestions made for its implementation. Cinema and office staff are both present for this. Each week the cinema managers meet to divide up tasks. There are two full time and one part time manager. The projection staff meet weekly as well and every three weeks the cinema managers and the projection staff hold a meeting which is usually attended by a member of the office staff.

Each Wednesday evening a programme meeting is held to plan out the cinema programme. This is open to all staff members.

At a recent Council of Management meeting, yet another meeting was instituted weekly between staff and Council because of poor relations. They were to decide on terms of reference when they met.

The collective structure as operated is unsuited to the new cinema operation.

II RECOMMENDATIONS

1. Company Structure

It is essential that distribution and exhibition remain separate.

We suggest the following:

HOLDING COMPANY - 3 BOARD DIRECTORS

EXHIBITION

(separate Board
of Management)

DISTRIBUTION

(separate Board
of Management)

On the Board of Directors of the Holding Company would sit an independent Chairman, the general manager of the cinema who would be the company secretary and one other. The association of members would have the right to elect 1-2 directors. The current Articles of the Association would have to be followed for the interim changeover period.

Alternatively a case for a change in current practice to ensure that the administrations and finances of the two companies, once separated, do not tend imperceptibly to merge together again could also be argued.

2. Council of Management Recomposition

We recommend that no more than two existing members remain and that the five other vacancies be filled by an Honorary Treasurer with sufficient expertise, someone well acquainted with theatre or cinema management, someone knowledgeable in distribution and two others with management experience.

3. Staffing

In a time of serious financial difficulty The Other Cinema Ltd should look carefully at its staffing level to see whether it can justify its present numbers. The Panel feels that posts could be shed.

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In the cinema operation $7\frac{1}{2}$ manweeks would be adequate and should include paid usherettes. The present staffing is at approximately $8\frac{3}{8}$ manweeks, which does not include unpaid usherettes.

It was not within the Panel's brief to assess the distribution company, but the Panel represented to it that its staffing levels should be seriously reviewed and rationalised.

4. Public Funding

- a) Without evidence of a high measure of private financial support, the Panel believes that no further public funds should be injected into the company.
- b) In the event of sufficient private financial support being forthcoming any public assistance should be conditional on The Other Cinema modifying its management and operational structure along lines set down in this paper.

III RESPONSE OF THE OTHER CINEMA

The companies have responded to their serious financial situation by preparing plans for reducing expenditure and by preparing and implementing plans for attracting private and public funds. The plans for reduction of expenditure, though valuable and forming the most recent stage of moves to reduce expenditure that the companies have undertaken since the commencement of the Assessment, do not go as far as the Panel is recommending.

The fund-raising strategy, encouraged by the Panel at its first meeting with representatives of The Other Cinema, is late and not sufficiently broad at a local level. Unless this is broadened and the memberships actively engaged throughout the country, the Panel finds it difficult to be sanguine about the companies' prospects of raising sufficient funds in sufficient time.

A figure of £35,000 has been presented to the Panel as the sum that will cover the immediate needs of both companies and secure their respective financial positions up to December 31, 1977. In order to ascertain that this represents a viable financial assessment it would be necessary for a full scale financial investigation to be undertaken by an independent auditor.

IV PREDICTIONS

Unless The Other Cinema can raise funds rapidly it can be predicted that it will be compelled to cease trading in a matter of months.

If the companies are able to raise sufficient funds in the immediate term the Panel believes that the cinema operation will continue to produce an annual deficit for the foreseeable future and estimates this at between £4,000 and £10,000 per annum.

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V RESPONSIBILITY

The Other Cinema has made some serious financial mistakes, it is poorly managed and delayed alerting the BFI of its problems. As a collective it stands collectively responsible for this.

On the other hand, while the funding bodies acted responsibly after The Other Cinema opened, they erred ⁱⁿ to opening by insufficient monitoring.

VI Capital grants were made by public bodies to The Other Cinema to assist in the costs of opening the cinema. They were £17,500 from the British Film Institute and £2,500 from the Greater London Arts Association.

Signed:

Date:

13 July, 1974

Bonnie Sturges Jones

W. Lawrence White

Phyllis Healey
Joint Secretary