

June 30, 1995

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Dear David,

Centre for Independent Film, Television and Independent Media

Thank you for your phone call of earlier today. I will endeavour to address the issues you raised.

One of the real issues is of course cash-flowing a project of this nature. The partnership moneys are either confirmed or already partly received. Most of this is by way of grant aid which can be drawn down at the beginning of the project or, in some cases, in advance. As I indicated, all of the partnership money is firm. Obviously this is a very large project for an organisation like the London Film and Video Development Agency to undertake. For this reason, the British Film Institute is standing as surety to the project.

The key document here is the Agreement for Lease - attached to the submission as Appendix 4a 6.

The LFDVA has entered into a 25 year lease with the developers Glasshouse. There is no assignment clause therefore it will not be possible for the LFDVA to dispose of this asset within the life of the lease. In other words, the LFDVA must maintain the operation during this period. The Agreement for Lease obliges the British Film Institute to guarantee the LFDVA's performance under the Agreement for Lease and the Head Lease itself. This lays two fundamental obligations on the surety. The first of these will, of course, be payment of rent to the landlord in the event of any default. To all intents and purposes this mechanism was necessary for the same kind of reason you are flagging up. It was necessary to generate the maximum financial comfort to enable the developer to raise capital funding against the predicted rental income on the pre-let to ourselves. As a Non Departmental Public Body in receipt of direct financial support from the Department of National Heritage, and which has been in existence for more than 60 years, the British Film Institute is considered a 'blue chip' guarantee.

Secondly, the BFI guarantees the LFDVA's delivery on its obligation in the Agreement for Lease to complete the fit out of the building within the time period laid down. You will see from the Budget that the Institute has already committed considerable sums of money to the project and stands behind its completion. The BFI has been an active participant in developing this project

and is committed to working with the LFVDA to construct an appropriate financial package that will adequately cash flow the delivery. Until we have much more detail of the actual build schedule and schedule for drawing down ERDF moneys the LFVDA and BFI are not in a position to create the detailed financial mechanism for cash-flowing the project - what might be delivered by way of internal cash flow mechanisms, what might need to be funded by way of bank lending, and how that bank lending will be serviced. I have today spoken to Irene Whitehead, the Head of Cinema Services and Development at the British Film Institute, about this issue. She will be coming back to me with a much more precise clarification as to the ways in which the BFI obligations as surety address this issue of supporting the financial packaging of the project. We will get back to you with utmost speed on this.

The BFI's commitment to the project also gives maximum comfort re. the ongoing delivery of services by the new centre. You will see from the project descriptions that the two 'operational elements' of the Centre - the London Film Makers Co-op and London Electronic Arts - are long established and come with very high reputations. Together they are in receipt of considerable financial support from the LFVDA, BFI, Arts Council of England, Channel 4, and others. This demonstrates the very high level of support that they currently enjoy and that the plans for the new Centre enjoy. The BFI is also committed to contributing an additional £63,000 toward the project by way of rent support. The track record of the two operational elements of the project, the high level of support from a wide range of backers and the ongoing future commitments from LFVDA and BFI give absolute comfort in the project's long term viability.

Turning now to value for money indicators, as I said on the phone I believe that the averages on which you are working are unrealistically low for any kind of job creation or job safeguarding - particularly in the high/new technology area in which we are working. I have raised this concern with Andrew Attfield at Dalston City Partnership.

Costs per SME assisted is a problem in a slightly different way. There has never been any guidance as to what a 'unit of assistance' actually is. As you will see from our project description we have taken a very serious and substantial approach to this whereby we have taken a 'unit of assistance' to be a minimum of half a day formal professional advice. This seems to us to demonstrate a serious and responsible approach to this activity. If it were considered appropriate, we could also count in the thousands of inquiries and requests for assistance and advice that are serviced in more informal ways - as part of the ongoing work of all parties in this project. This would increase the level of SMEs assisted by a factor of 3 or 4.

If felt appropriate, I would be more than happy to rework these figures to incorporate this kind of approach.

Thanks for your help in this. No doubt we will be in touch again very soon.

Yours sincerely