The financial health of the independent theatrical film exhibition sector

October 2023

The Independent Cinema Office is the UK’s support organisation for independent cinema.

We want all communities to have access to a thriving independent cinema culture. Our mission is to champion the broadest range of cinema, and to develop audiences, venues and talent.

61% are not meeting income targets
45% are operating at a loss
50% need more support
Increased costs & lack of admissions fuelling main concerns

What follows is a top line summary of our survey. To discuss this further, please email info@independentcinemaoffice.org.uk.
In 2023, the film industry remains in a state of flux following the Covid-19 pandemic and its attendant reverberations. Cinemas have had to cope with changes to operating models, shifts in audience behaviour and the rise of online streaming, with all these factors liable to future fluctuations. There are also obvious economic challenges, with reduced availability of public funding, a cost-of-living crisis, and a rise in energy prices, all of which have impacted the sector and seen the recent closures of key independent cinemas. We wanted to check in with UK theatrical exhibitors to assess the current financial health of the sector.

In September 2023 we undertook a survey of the theatrical exhibition sector to try and gather evidence on its current position. We received 157 responses from independent cinemas, small chains, multiplexes and mixed arts venues. The largest proportion were from not-for-profit independent cinemas (46%). Most venues were located in England but there were responses from all four nations in the UK. 93% of respondents were in a leadership position.

Independent cinemas serve as vital community hubs for a diverse range of audiences, including those who are elderly or socially isolated and often are a key cultural asset in areas where there is otherwise low cultural provision. Their operations have a wider positive economic impact on the cities, towns and rural areas where they are located. Most independent cinemas are significantly invested in being a cultural space, reaching new audiences, showing a broader selection of films, focusing on environmental sustainability, and improving accessibility.

Our findings show that a large proportion of venues forecast operating at a loss this financial year and we know the past two financial years would have also been loss making for many.

If this trend continued for further years, it could potentially lead to closure of some of these venues. The impact of the loss of even a small number of independent cinemas would be felt beyond the communities that they serve, as their closure could seriously impact the viability of distributors releasing independent films.

The proportion of independent cinemas only being able to operate for another year in the current climate is very worrying and suggests the need for some type of intervention in order to safeguard these cultural and economic assets for local communities across the UK. Especially given that once they are closed, cinemas are unlikely to return given the significant amount of capital needed to restart operations.

These findings will help shape the ICO’s suggestions for how support could be provided when making their submission of evidence to the UK Parliament Culture, Media and Sport Committee’s Inquiry on British Film and High-End Television in October 2023.

This survey was undertaken by the ICO with the support of the BFI, awarding funds from the National Lottery. We would like to thank all of the cinemas and venues who participated in the survey and shared their data with us.
Income targets

Are you meeting your income targets for the financial year?

Of respondents said they were not meeting their income targets for this financial year. 28% were meeting their income targets, 8% were unsure and 3% had not set targets.

On average, respondents were 10% under their income targets.
Profit and Loss

At the end of this financial year do you forecast operating with a profit or loss?

45% of respondents forecast that they would be operating with a loss at the end of this financial year.

Of the 20% of respondents forecasting operating with a profit this financial year, the majority projected a profit of between 5–10%.

Of the 45% of respondents forecasting operating with a loss this financial year, the majority projected a loss of between 15–20%.
Current climate

How long can you continue to operate within the current climate?

42% of respondents predict that in the current climate they can continue to operate for between three months to a year.
Admissions

In this financial year, what is your projected gain/loss to ‘normal’ in relation to admissions?

The largest proportion of respondents projected a 35%+ reduction in admissions. Admission figures across UK cinemas in 2023 are 25% lower than 2019 [last pre-pandemic year], to the period to the end of August.

(source UKCA https://www.cinemauk.org.uk/the-industry/facts-and-figures/).

76% of respondents project a loss in admissions this financial year in relation to ‘normal’ operating years. 11% project a growth in admissions.
81% of respondents were not using an overdraft facility. 12% were using an overdraft facility. 8% responded other – using interest free loans, occasionally using their overdraft.

60% of respondents’ management accounts show their current assets [stock, debtors, cash in the bank, prepayments etc.] are more than their current liabilities [creditors, accruals, bank loans, PAYE, VAT etc.].

86% of respondents can pay their debts as they fall due.

61% of respondents had a positive balance sheet. 18% had a negative balance sheet. 21% were unsure.

This suggests that the majority of respondents are currently not in immediate threat of closure.
How confident are you in your financial position?

- Very confident: 29%
- Somewhat confident: 19%
- Neither confident nor not confident: 10%
- Not very confident: 1%
- Not confident at all: 5%

Redundancies in the past three years.

- Have made/predict making redundancies: 31%
- Have not made/don’t predict making redundancies: 56%
- Unsure: 8%
- Other: 5%

Redundancies this financial year.

- Have made/predict making redundancies: 19%
- Have not made/don’t predict making redundancies: 71%
- Unsure: 9%
- Other: 1%

Of respondents answered ‘neither confident nor not confident’ when asked how confident venues feel in their financial position.

Total jobs lost among those venues that had made redundancies in the past three years: 151
Main concerns

We asked what your main concerns for this financial year are.

The majority of respondents’ main concerns for this financial year were increased costs, uncertainty around film releases and having content to play, lack of admissions, and a loss of revenue.
Public funding

We asked respondents where they receive public funding from.

53% of respondents receive public funding; 43% did not and 4% did occasionally. The largest proportion of respondents receive funding from their local authority (47%), the BFI (37%) and their local Film Hub (30%).
Support

We asked which support would be most useful.

50% of respondents said they need further public/government financial support to remain operational. 21% do not require further support and 29% were unsure. The most useful support was via organisational grants (65%) and a reduction in Sales VAT (61%).

This is a large proportion of respondents who say they need additional support.
Priorities

We asked respondents what their priorities were over the next three years.

- Increasing audiences: 87%
- Engaging new audiences: 64%
- Increasing revenue: 70%
- Reducing costs: 42%
- Capital projects: 25%
- Other: 5%

The top priorities for venues over the next one to three years are increasing audiences (87%), increasing revenue (70%) and engaging new audiences (64%).
When asked about other challenges facing independent cinemas, the biggest concern from respondents was around the changes of audience viewing habits – more audiences watching films via streaming platforms at home and only returning to cinemas for big ‘event’ films. Other concerns raised were the costs of films from distributors (the terms and minimum guarantee), the possible reduction in available upcoming content because of the writers and actors strike in the US, the reduction of the theatrical window and films being available earlier to stream at home, the reduction in film advertising campaigns, and the inability to keep pace with ‘luxury’ facilities at commercial multiplexes.