



Budgeting for Emerging and Established Filmmakers

INTRODUCTION

The financial needs of each documentary project are completely different and dependent on the needs of the subject and style of a particular film. As such, this is not a step-by-step guide for how to budget for a particular production, but rather, an overview that helps you enact best practices for your next project. Preparedness and adaptability are the most vital tools when maintaining a budget over the lifecycle of a film.

Starting Points.

First establish broad parameters when creating a budget:

- Schedule delivery date: How long will you be in development, production and post-production?
- Location: What travel and accommodation needs are there?
- Formats: Will the project require archive or re-enactment? How much and what kind?

The more you reduce your budgets or defer your fees, the less of a safety net you have and the more likely you are to take risks. It's only when you have money in your budget that you are able to move things around. However, if you overestimate your budget, you risk not being able to close financing.

- Don't do guesswork on costs—make calls, get quotes, get rates, try to negotiate flat fees where applicable.
- It is best practice to demonstrate market-level prices for labour. Consult an experienced production manager to go over your budget; even if you have to pay them, it's worth it.

Base your finance plan, and hence your budget, on how much you think can actually be raised and the market value of the film. Be honest with yourself; there's no point in creating a budget that you'll never be able to raise the money for.

- **BEST PRACTICE:** Find out the value of your film by speaking with distributors, sales agents and broadcasters to ascertain what the value of certain films are. Review trades for case studies.

The Core Team For Your Production.

- A production manager/production coordinator, either or both, are essential.
- A line producer or production manager; someone who can complement your specific skills, especially if you are a creative producer.
- Team work with another producer or an executive producer is the best support and a good sounding board.

The Core Financial Team For Your Budget.

- A line producer or production manager who facilitates production and keeps the budget on track.
- An accountant deals with tax issues and reports funds correctly.
- A bookkeeper makes sure payments and bank statements match, and inputs actual costs to date.

Finding a Balance.

As the producer, you constantly cross-reference your expenses with your budget, and constantly move money around based on what ends up costing a little more or a little less than estimated. Continually compare the original budget against weekly or bi-weekly cost reports.

- Cost reports detail the costs to date, weekly costs and estimates to complete the film.
- Cost reports are typically done every one or two weeks, based on when your bookkeeping is done.
- A cash flow report outlines projected cash inflow and outflow by month, and can help a production plan out how they will flow cash in/out of the production, e.g., whether to take out a loan to pay bills until their next payment comes in. This is because most financiers pay in instalments, based on schedules.
- In the Estimate to Complete section, you can adjust any additional costs it will take to finish the film by line item.
- A cost report will show you how much you have left to spend on each line item, so is crucial to help you stay on track with your budget.

Getting Paid.

Do not defer director and producer fees if this is can be avoided. If the director and producer are deferring their fees, try to have all financiers agree that the deferrals come out of any recoupable funds first. This is not traditional for fiction, but in documentary this can be negotiated.

- **BEST PRACTICE:** Even if you cannot afford much, try to give your crew per diems. Think forward on crew expenses and try to alleviate some stress by avoiding having your crew pay for things out of pocket.

Treading Carefully.

- Legal and interim financing are probably the most important items to predict accurately; they are expensive and can balloon quickly.
- Be mindful that it is hardest to keep track of expenses when you are in production, especially on the road. Create a system to do it effectively.
- When shooting abroad with local crew, consult pay regulations of that country regarding workers' compensation, healthcare, union costs, pension, social security, etc. It will likely be different (and possibly higher) than in your own country.
- Expenses such as travel, archive, re-enactment or length of edit might be a red flag for some financiers. Be prepared to justify costs and shooting times. Identify legal costs if the subject matter of your film is controversial in some way.
- Typically budget between eight and 10 per cent for contingency, especially on higher budget films.

Working with Your Partners.

In a co-production, like all relationship, honesty is best policy.

- Accurately budget for your shared costs by being very honest with each other about what those costs will look like on each side. If the budget is artificially increased by repeated items, it will be harder to get the project financed.
- Sit down and go through each line to work out which partner will cover what, and then work out each of your contingencies based on what percentage of the entire budget each party contributes.
- Write into your contract that if either of you goes over budget, it's that party's responsibility to cover those costs from their own contingency.

If you are working with government funding bodies who do international co-productions all the time (and more often than you do), sit down with them and go through your budget. They will help you navigate relationships with your potential international partners.

Broadcaster Funding.

Regular reporting to your broadcaster is par for the course. You may need to prepare a cost report every couple of weeks, or at milestones like start of principal photography, end of principal photography, rough cut, fine cut and delivery.

Find out what your broadcaster doesn't allow in a budget early on to avoid having to reduce or move money around in your budget. For instance, some don't allow marketing or re-versioning costs.

Cash Flow.

Be conservative in estimating your tax credits (if applicable) for the finance plan, as you don't want to overestimate what finance they can bring in. You will need someone (a lending body perhaps) to cash flow the tax-credit amount, and there will be an additional cost for that.

- Tax credits are applied to your financing, and are usually received six months to a year after project completion.
- Plan to receive at least 85 per cent of your estimated tax credit amount. You cannot consider all budget lines when calculating your tax credits, so know which are excluded in your country.
- If you are going to bridge finance via a bank loan, find a bank with a reputable film and television department.

Review Engagement is a final cost report accompanied by an independent public accountant's review engagement report. It is meant to ascertain whether or not your financial statements are believable or plausible, to receive your tax credits. While an audit is meant to give assurance that your finances are free of misstatements, if you have a budget under \$500,000 you may not have to do an official audit for your tax credits.

Post-Production.

Make sure to clear the rights for your music and archives (festival, theatrical, broadcast, etc.) and try to clear it in perpetuity. e.g., "All rights, in perpetuity, throughout the universe, in all languages, and in all media now known or hereafter devised in physical and virtual territories."

In perpetuity is not always possible, but you have a better chance of getting it at the start rather than later on. Have conversations and build relationships with your archive rights-holders as soon as possible. Get them interested in your film. If you can't pay for everything all at once, have a deal in place about what the additional fee will be for theatrical/broadcast so that you can budget for it and not have to re-edit the film later because your material licences have become unattainable.

It's easy to pull money from post-production into your shooting schedule, but try to avoid it. Budgeting for the length of the edit is widely underestimated and you will invariably want more weeks.

Do not take money from your marketing, outreach, engagement and impact allocation—they should be part of your marketing strategy from the creation of the budget.

To consider for Your Granting Bodies.

It is extremely important to deliver your necessary deliverables on time.

- **BEST PRACTICE:** Grantors, like all funders, expect due diligence.

Incorporate the required logos in the final credits of your film. This is usually a stipulation of being awarded funding. Non-compliance raises red flags for future applications to that and other funds.

And Remember.

A sense of confidence in your budget comes with time—something will be under budgeted, but something else will be over budgeted, and if you do your homework, you will be pretty much on track. Knowing when to overreact or not comes with time and experience!

Resources.

Canada

Telefilm Production Budget Template:

<https://telefilm.ca/en/financing/theatrical-documentary-production>

US

ITVS Budgeting Webinar:

<https://www.youtube.com/watch?v=vOV9Guh-35o>

Sundance Sample Budget:

<https://www.sundance.org/pdf/artist-programs/documentary/SampleBudgetFormSpring2012.pdf>

UK

Production Accounting Templates:

<https://www.productionguild.com/productionaccounting/appendix/appendix>

All

Movie Magic Budgeting Software—Via Entertainment Partners (for budgeting, not for cost reports or cost managing):

<http://www.epcanada.com/Software/Budgeting.aspx>

Cost Manager Reports Software via Microsoft:

<https://www.microsoft.com/en-us/dynamics365/nav-overview>

Thank you to John Choi, Nicolina Lanni, Al Morrow, Stewart le Maréchal, Kristina McLaughlin Yael Melamede, Karam Masri for offering their advice and expertise.

DETAILED BUDGET

BY THE NUMBERS			
20% of the budget typically goes Above-the-Line (A)			
30% to Production (B)			
30% to Post-Production (C)			
20% to Other (D)			A budget template from Telefilm, though created for fiction projects, is the standard and accepted budget template for documentary in Canada.
	Sample	\$500,000 Budget	
DEVELOPMENT BUDGET			TIPS FOR CANADIAN FILMMAKERS
			To create your Development Budget , consider your story rights, scenario and pre-production costs. Typically, 15% of this total becomes the Producer Fee and 15% becomes pre-production Corporate Overhead . Producer and Corporate Overhead fees paid out of development expenses must be subtracted from the production budget.
Acct	Category	Total	
1	Story Rights/ Acquisitions		When you are acquiring story rights at the development stage you may offer a nominal fee for an "option." It's a percentage of what you will pay if you get the project financed. Usually, if the project goes into production, the rights holder is guaranteed a percentage of the budget, plus a cut of any revenue. Usually this is a percentage of B+C. You can sometimes avoid paying high story-rights fees by acquiring the rights for a token amount and hiring the rights holder as a writer. Your broadcaster will eventually want to see your rights agreement. This can also include legal costs.

2	Scenario		This is anything to do with getting your script and concept completed, such as hiring writers and researchers, as well travel and expenses connected to the writing of the script, including clearances or searches. For example, if you are basing your entire film around a piece of stock footage or music, you need to know at this stage if you can actually do that. A scenario consultant is an expert you pay for advice on a particular topic within your script that may need to be checked for accuracy. A researcher gathers information for the writer.	<ul style="list-style-type: none"> • Fringe Benefits are CRA-source deductions. If your writer is not incorporated and you are paying them a weekly salary, you have to pay CPP and EI, and in some cases EHT.
3	Development Costs		This includes paying a production manager to do a budget once the script is done, or paying for someone to make sure your locations are secure, which might include travel and living expenses. When you go into production, any overhead you spend here is subtracted from any costs incurred during production because nothing can be claimed twice.	
4	Producer		This is 15% of lines 01-03. When you go into production, this is subtracted from the producer fee because it cannot be claimed twice. Usually there are also overhead costs here as well: the costs that go into keeping the production company going.	
		Total 100,000		

PRODUCTION BUDGET				TIPS FOR CANADIAN FILMMAKERS
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Acct	Category	Total		
1	Story Rights/ Acquisitions			
2	Scenario			
3	Development Costs			Overhead fees cannot be more than 10% of B+C .
4	Producer			<ul style="list-style-type: none"> • Someone who is part of your production company is capped at earning 10% of B+C. If you hire a producer who doesn't have any ownership of the production company, they are outside the cap and this rule does not apply.
5	Director		There is no cap on the director's fee, whether the director is part of your production company or not.	
6	Stars	0	In documentary, this is used for narrators.	
TOTAL "A" - ABOVE-THE-LINE		100,000		
"B" - PRODUCTION				
10	Cast	0	If you decide you wish to pay your subjects an honorarium, this may go here.	<ul style="list-style-type: none"> • Rights Payments: If you are working with ACTRA, you pay a certain rights payment, buyout or number of plays, which is a one-time payment that covers a specific length of time.

11	Background Performers (Extras)	0		
12	Production Staff	0	This is everyone who works in the production office, who works to get the production going and keeps it going during principal photography. This is usually paid as a weekly rate unless you are shooting day to day. Researchers or visual researchers hired during production might go here because they don't have their own line within production.	
13	Design Labour	0	Usually for recreations or perhaps a title scene that is not animation. Recreations are also applicable to lines 13-20.	
14	Construction Labour	0		
15	Set Dressing Labour	0		
16	Property Labour	0		
17	Special Effects Labour	0		
18	Wrangling Labour	0		
19	Wardrobe Labour	0		
20	Makeup/Hair Labour	0		
21	Video Technical Crew	0	This is the crew for when you rent out a studio to do interviews, recreations, discussion panels, etc.	
22	Camera Labour	0	This includes director of photography, camera operators and media managers, that is, someone who manages drives, cards for cameras, etc. This also includes all photography, including a still photographer for promotion and marketing.	
23	Electrical Labour	0		
24	Grip Labour	0		
25	Production Sound Labour	0		
26	Transportation Labour	0		
27	Fringe Benefits	0	These are very expensive and often forgotten until too late. They can account for almost 20% of your labour costs. Learn who from your crew is incorporated. If your labour comes from an incorporated company, it means you don't have to do source deductions, as they will do that from their own company. The payments you were going to make to the government for that person can be budgeted elsewhere.	<ul style="list-style-type: none"> • Fringe Benefits include Canadian Pension Plan, Employment Insurance, Employment Health Tax, vacation pay and any union dues. This amount is calculated based on all the labour costs above this line item. CRA sometimes does payroll audits; check every one of your suppliers and make sure anyone who is not incorporated receives source deductions.

28	Production Office Expenses	0	This is for office rental only. If you claim something, you need to also be able to support the entire amount that you foresee in Corporate Overhead expenses. Support entails receipts, but there are lots of office expenses that will not have been paid through the budget—so better to default to line 72 to be safe.	<ul style="list-style-type: none"> CRA considers that most of the things you might think you can put here best fit under Corporate Overhead (line 72, Indirect Costs). Corporate Overhead covers hydro, photocopying, phone, etc. and is a guaranteed 10% of B+C. If you are audited by the CRA and you've already claimed in this line, you cannot then support the Corporate Overhead expenses in line 72. If you don't claim much here, CRA are less likely to ask for your receipts for things in the Corporate Overhead line, because they can assume you are not doubling up on them.
29	Studio/Backlot Expenses	0	For if you are doing any recreations, panels, interviews, title-card shoots. This is utilized more often now, with new trends toward hybridized docs and performed memory.	
30	Location Office Expenses	0	This only applies to Location Office Expenses , not other location expenses.	<ul style="list-style-type: none"> If you are working with an international co-producer, they will have their own budget and expenses. To reflect co-production in your budget: one column shows the entire budget, one shows the Canadian expenses and one shows your co-producer's expenses, all in the currency of your own country of production. International budgets do not have the same line items, and their cost reports protocol may be different, so timing and delivery requires discussion.
31	Site Expenses	0	This might include anything you have to pay for the benefit of entrance/access, e.g., museum fees, boat rentals, security, tokens to the elders of the communities with which you are working, etc.	
32	Unit Expenses	0		
33	Travel & Living Expenses	0	If you are filming locally you may pay for meals using catering, but if you're travelling, it is best to have per diems. These may be flagged by evaluators—justify with long production days and nights. Also falling into this category is travel insurance, though some people who travel a lot may have their own travel insurance, so ask. This can also include paying for entrance visas when applicable.	<ul style="list-style-type: none"> Standard per diem is approximately \$65 within Canada, \$85 outside of Canada, for meals, laundry, etc.
34	Transportation	0		
35	Construction Materials	0	Mostly for drama. Generally not used unless for recreations with a set. Applicable to lines 35-42.	
36	Art Supplies	0		
37	Set Dressing	0		
38	Props	0		

39	Special Effects	0		
40	Animals	0		
41	Wardrobe Supplies	0		
42	Makeup/Hair Supplies	0		
43	Video Studio Facilities	0	Video village. Mostly for studio drama lines 21-22.	
44	Video Remote Technical Facilities	0		
45	Camera Equipment	0	Rate depends on your equipment. This includes renting equipment from the labour you hire for this role. If your production company bought equipment for production, you usually can't expense the entire amount because you can sell it or use it on other productions. You may be able to expense a percentage of it to the production company. The amount you can expense is a conversation to have with your accountant. If you rent or sell any equipment/items before the end of post-production, you can put the money back into your budget. Applicable to lines 45-48.	
46	Electrical Equipment	0		
47	Grip Equipment	0		
48	Sound Equipment	0		
49	Second Unit	0		
50	Videotape Stock	0	In the modern age, this includes video cards and viewing copies (DVDS). Most likely this includes Vimeo, FTP, WeTransfer costs or subscriptions. Also memory cards for cameras, etc.	
51	Production Laboratory	0	Not applicable unless using film.	
	TOTAL PRODUCTION "B"	150,000		
	"C" – POST-PRODUCTION			
60	Editorial Labour	0	Includes your post-production supervisor, who coordinates the editors, stock footage, outputs, deliverables, etc., as well as editors, assistant editors, translators, interpreters, dialogue and transcription, sound effects, music editors and looping supervisors. If the director is doing the editing, this is split up into the Editorial Labour and the Director lines.	
61	Editorial Equipment	0		
62	Video Post-Production (Picture)	0	Your distribution or broadcast copies. If you go to a colour-correcting house for your online edit, they may do a breakdown of costs in the bill.	<ul style="list-style-type: none"> For post-house bills (picture and sound), it is helpful to break out labour and equipment costs. You may be able to claim tax credits on eligible labour.

63	Video Post-Production (Sound)	0	Also one quote/bill.	<ul style="list-style-type: none"> They may break it down for you the Telefilm way or their own way.
64	Post-Production Laboratory	0	Not applicable unless using film.	
65	Film Post-Production Sound	0	Not applicable unless using film.	
66	Music	0	Typically music is licensed or you hire a composer and music supervisor. Music clearances go under Music Rights and should cover theatrical release, broadcast and online streaming. This is negotiated in your contact with the rights holder. This negotiation is usually done by a music supervisor, who can often negotiate cheaper rates. Speak to rights holders about the possibility of a Most Favoured Nation deal for music, in which all music is the same rate.	
67	Titles/Opticals/ Stock Footage/Visual Effects	0	A visual researcher finds and negotiates for archive, stock footage and visual materials. This line can also include opening/closing credits, graphics, lower thirds, special effects/licence for stock footage (individuals, companies, Getty Images and other aggregators). The realities of the cost of music/visuals can be a problem area. It is best to talk to a visual researcher on a consultant basis early on to estimate these costs. If you are using an individual's home video, it is best to make a reasonable offer to the owner.	
68	Versioning/Closed Captioning	0	Closed captioning is now standard for broadcasters. If you are delivering both a one-hour and a feature version, for example, this is broken down into your post-production costs and distinguished as separate from one another.	
69	Amortization (Series)	0	Not applicable (it's for using the same set over again, usually in drama series).	
	TOTAL POST-PRODUCTION "C"	150,000		
	TOTAL "B" + "C" (PRODUCTION AND POST-PRODUCTION)	300,000		
	"D"			
70	Unit Publicity	0	This is for hiring a publicist, publicity shots, etc., which can also go into Camera Labour . Budget for a still photographer if you can! Also budget for marketing/distribution elements in your post-production budget: festival submission fees, film website/poster/trailer/titles cards and other promotional elements, audience engagement strategy and outreach. An interactive budget requires its own budget.	<ul style="list-style-type: none"> Fringe benefits: Include CRA deductions and EHT if they are on payroll. Contractors may pay it themselves when they do their own taxes.

71	General Expenses	0	<p>To determine interim financing look at the cash flow over your production to estimate how much money you need to borrow. Remember to budget for interest and set-up fees as well. You are not only required to cover your portion of the legal fees in interim financing, but also the bank's legal fees. Get a lawyer early to get a quote for your interim financing contracts and E&O. Lawyers also watch a rough cut for E&O: Your lawyer tells the E&O lawyer to let the insurance company know the project will be approved for E&O. There are two E&O lawyers in North America. Some broadcasters want to know you have E&O insurance from delivery, and some from principal photography.</p>	<ul style="list-style-type: none"> • You require liability insurance, i.e. the Entertainment Package and the General Comprehensive, as shooting locations (e.g., museums) require it. It also covers your production staff if something should happen (to a certain point, e.g., injury), covers your equipment and, in some cases, covers lost days if something breaks and stalls production. • Medical Fees provides special coverage for irreplaceables in your production like your narrator or director, if something happens to them which shuts down production. • Legal Fees are E&O Insurance, interim financing contracts and any contracting or financing agreements you need looked over. • Post-Production Accounting is for any help you may need from an accountant to put information together for the audit. • Bank Charges are charges to set up a bank account for a production. An audit fee can be more than \$10,000 (depending on the budget) and is required for budgets over \$500,000, when the CTF and TFC require an audited final cost report accompanied by an independent auditor's report. For an audit, you have to show all your general ledger, all accounts payables, accounts receivables, all financial contracts, all your bills, cheque stubs, bank statements and HST returns. Production budgets between \$200,000 and \$499,999 require a Review Engagement Report, which is a final cost report accompanied by an independent public accountant's review engagement report.
72	<p>This is for office rental only. If you claim something, you need to also be able to support the entire amount that you foresee in Corporate Overhead expenses. Support entails receipts, but there are lots of office expenses that will not have been paid through the budget—so better to default to line 72 to be safe.</p>		<p>This is where your office expenses go (see notes in line 28). This is 10% of B+C. Usually taken as a whole by the parent company.</p>	

	TOTAL OTHER "D"	100,000		
	TOTAL "A" + "B" + "C" + "D"			
80	Contingency	50,000	Between six and 10% contingency is standard. Usually 65% ends up in production, 35% ends up in post-production. If there is any left, you will have to spend it.	
81	Completion Guarantee	0		<ul style="list-style-type: none"> According to Telefilm this is protection acquired or offered by a completion guarantor which guarantees completion and delivery of a production and which, if the production is not completed, ensures that investors and financial partners in that production will be reimbursed. More typical with narrative features with large budgets or fickle key cast/crew.
	GRAND TOTAL	500,000		