
Media Nations

Annex 1: Local TV

Contents

Section

1. Overview	1
2. Local TV viewing	3

1. Overview

This report provides an update on the local TV sector. It provides data on the number of services available across the UK and the extent to which these are being watched. The chapter then discusses some of the challenges facing local TV broadcasters, including an analysis of their income and expenditure.

34 local TV channels were on air in the UK in 2018

The local television sector has contributed new local programming to the UK media landscape. During 2018 there were 34 local TV channels on air in the UK, offering differing approaches to programming for local viewers. The number of stations has increased each year since the first service was launched in 2013 until 2017, and 2018 was the first year in which no new local TV services launched.

Local TV was introduced by the government in its 2011 Local Media Action Plan. A statutory framework was established in 2012 to enable local TV services to be introduced,¹ under which Ofcom was tasked with licensing individual services in locations around the UK², and EPG providers were required to afford them appropriate prominence.

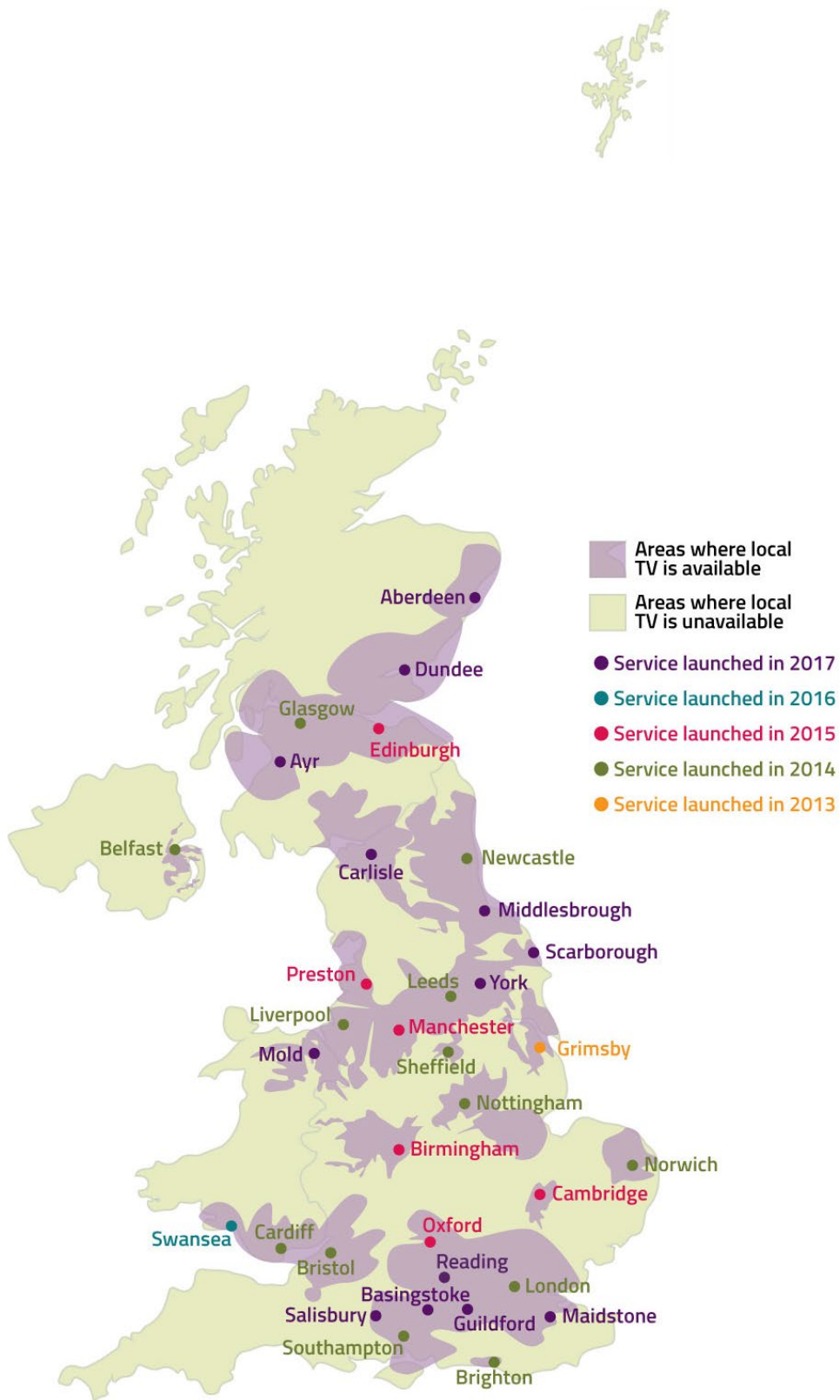
Whether or not a UK household can receive local TV depends on where it is and which TV platform it uses. It is estimated that in April 2018 51.2% of UK homes could receive a local TV service via DTT³. It is not possible to quantify availability to satellite or cable households.

¹ By means of the Local Digital Television Programme Services Order 2012.

² Licences have been awarded via a competitive process in which applicants propose programming commitments to reflect the type of service they plan to broadcast. To ensure that licensees deliver the services proposed in their licence applications, the programming commitments form part of the conditions of their licence. Licence obligations therefore vary by service, but typically include a number of hours of first-run and repeated local programming.

³ Source: Ofcom

Figure 1.1: Map of local TV stations across the UK and their coverage



Source: Ofcom/broadcasters.

2. Local TV viewing

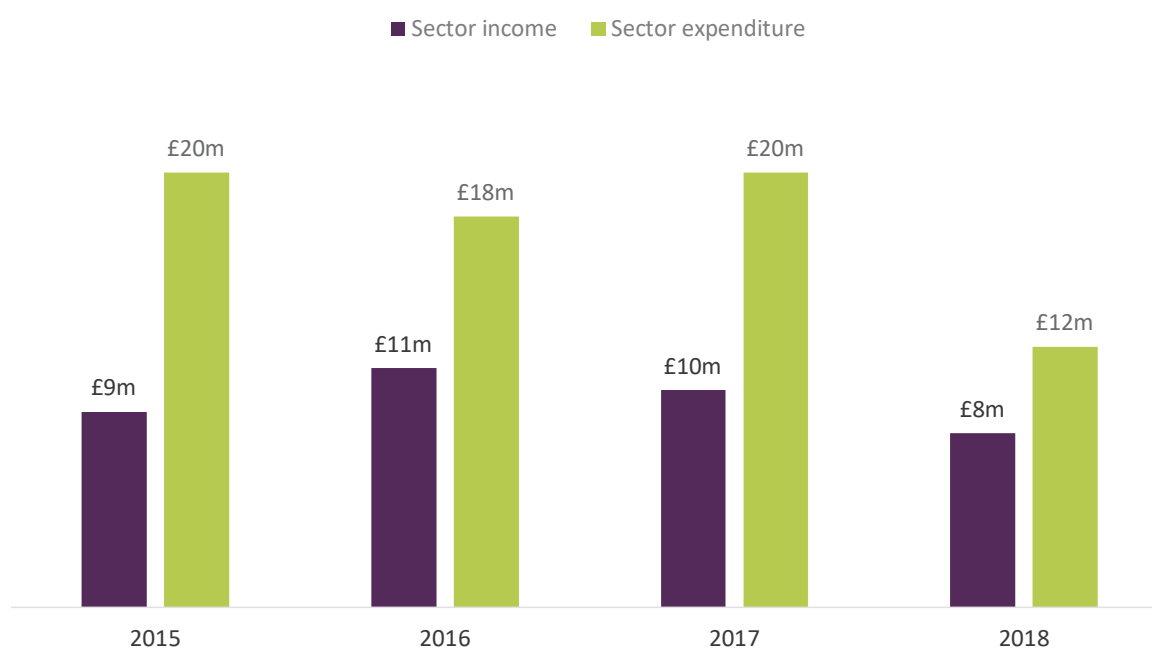
In 2018, 14 of the 34 local TV stations on air were measured by the UK's audience measurement system, BARB; five of these were BARB-reported between January and July only. As the majority of local TV services were no longer BARB-reported during the period, we have made the decision to omit the analysis from this year's report as the available data cannot provide an accurate reflection of viewing figures in the sector.

Income and expenditure

The challenges of generating revenue remain, but operating costs are reducing

As in previous years, local TV providers' expenditure outweighs income.⁴ The overall revenues of the sector for 2018 were £7.9m (down 24% year on year), while costs were £11.8m (down 41%) (see Figure 2.1). Twenty-seven services have reduced their costs (22 by at least 20% since the previous year), resulting in a 58% decrease in losses overall. As a result, there is a trend, continuing from previous years, towards profitability: 17 of the 34 services in operation in 2018 made a profit, compared to 13 in 2017, three of the 21 services in 2016 and one of the 20 services in 2015.⁵

Figure 2.1: Local TV income and expenditure: 2015-2018⁶



⁴ Analysis based on the revenue and costs declared by services to Ofcom for 2018 in their annual return forms. The revenue figure excludes additional investments.

⁵ A note in last year's report that there was an increase in profitable services last year because a number of new services that launched operated at the low end of the range of cost bases in the sector.

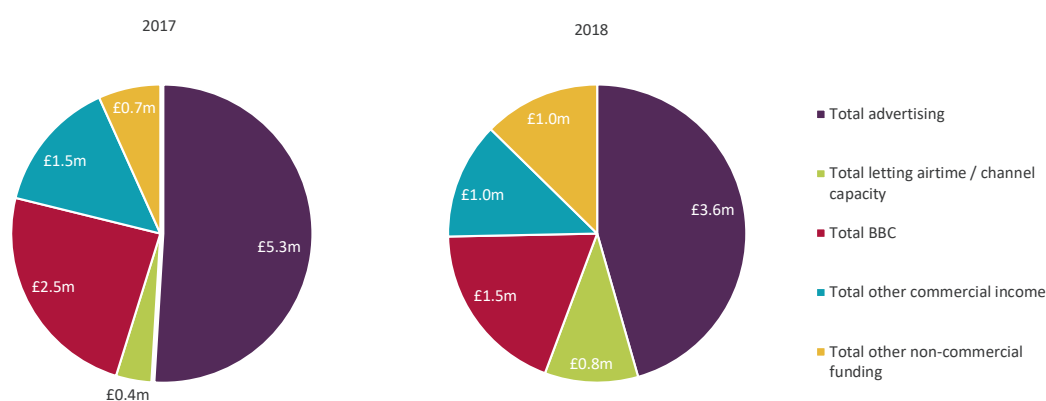
⁶ All figures are quoted in actual terms.

Local TV providers are continuing to diversify their sources of income

The primary sources of revenue are advertising, BBC funding, letting airtime or channel capacity to other content providers, and other commercial and non-commercial income. In 2018 no service generated revenue from teleshopping, which represented 0.12% in 2017. Advertising revenue as a share of revenue is down 6pp (to 45%), with national and local advertising income both reducing by about a third.

Local TV providers may be seeking a wider portfolio of revenue streams to counter the challenges they face (Figure 2.2). Non-commercial income is up 6pp (to 13% share of revenue), totalling £1m in 2018. Letting airtime or channel capacity is an increasingly significant proportion of income, with an overall figure of £794,000 in 2018 (comprising 10% of total revenue), compared to £375,000 in 2017 (comprising 4%). Thirty-one of the 34 services (up from 15 in 2017) sublet an average of 1,612 hours to other content providers. Eleven services received additional investment funding.

Figure 2.2: Breakdown of local TV income: 2017-2018⁷



Public funding

Public funding from the BBC represents the second largest revenue stream for the local TV sector (after advertising), accounting for 19%. This is a decrease of 5pp since 2017, in part due to the conclusion of the Digital Nation programme in 2017.⁸ Eighteen services received public funding in 2018, deriving from BBC Newsfeed only (guaranteed funding for news items).⁹

⁷ Income derived from teleshopping and original commissions are excluded from the charts as they are negligible or non-existent. All figures are quoted in actual terms.

⁸ An 18-month programme whereby the BBC showcased on its website reports from the local TV sector:

<https://www.bbc.co.uk/programmes/p04rrf9c/episodes/guide>.

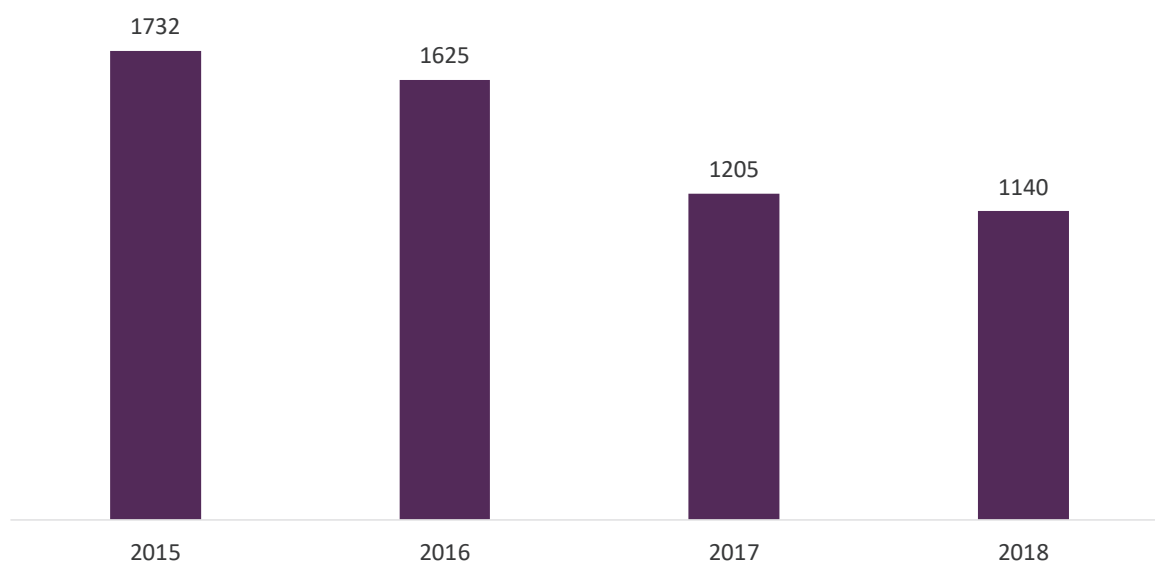
⁹ BBC Newsfeed funding is protected BBC funding for news items, if a service has opted to receive it. It ends when a service has been broadcasting for three years and must at the latest come to an end by 31 July 2020.

Sixteen services that received BBC funding for at least part of 2017 no longer have this source of income, and three that did not receive it in 2017 received it in 2018. Of the 15 other services that received it in 2018, nine received an increased amount.

Programming commitments

The average volume of first-run local programming broadcast by a local TV service in 2018 was 1,140 hours (approximately 22 hours per week, excluding Christmas and bank holidays, as per the licences). This was down from 1,205 hours in 2017 (23 hours per week), 1,625 in 2016 (31 hours per week), and 1,732 hours in 2015 (33 hours per week). Local programming repeats broadcast by local TV services in 2018 made up approximately 998 hours (20 hours per week).

Figure 2.3: Changes in average local programming hours: 2015-2018



Source: Ofcom/broadcasters.

The average volume of first-run news and current affairs programming in 2018 was 618 hours (12 hours per week), and the volume of repeats was 188 hours (just over three and a half hours per week).

Overall, the vast majority of licensees met their programming commitments during 2018. Thirty-two of the licensees met their commitment to first-run local programming and repeated local programming; similarly, 32 licensees met the commitment on peak time first-run programming, and 24 licensees fulfilled their commitment to repeated programming during peak times. Thirty-two of the licensees met their obligations in relation to news and current affairs programming both in first-run and repeat broadcasts.

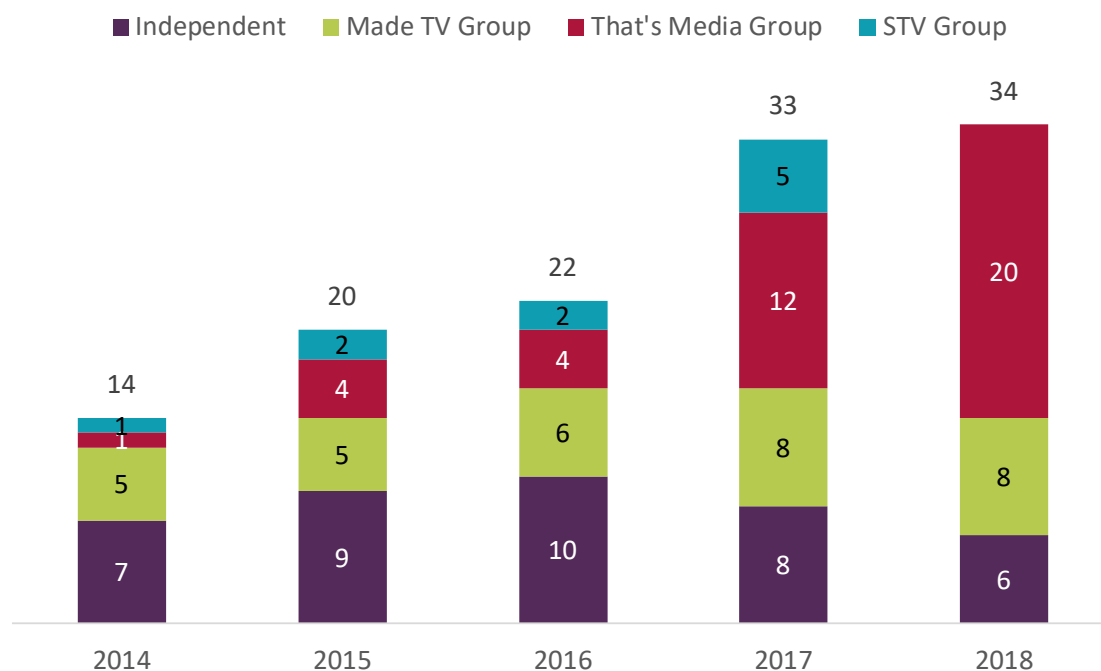
During 2018 Ofcom received 13 programming commitment change requests, of which ten were approved.

Ownership

There have been several changes in the local TV sector relating to ownership and control of licences in recent years, with some consolidation. While the number of available services has grown over time, the number of active licensees has decreased.

The chart below at Figure 2.4 highlights the increase in the number of available services from 2014 to 2018, and the consolidation of licences held by groups. This may be indicative of some of the struggles faced by local TV broadcasters in relation to generating income, and their attempts to achieve cost savings through shared resources and/or economies of scale.

Figure 2.4: Number of licensed services and licensees: 2014-2018



Source: Ofcom/broadcasters.

There were 14 local TV services available in 2014, with seven of these licences held by independent licensees. The Made TV Group held five licences, with That's Media Group and STV each holding one licence. The number of licensed services increased in 2015 to 20: nine provided by independent licensees; five by Made TV; four by That's Media and two by STV. In 2016 the number of available services went up to 22: ten independent services; six services provided by Made TV; four by That's Media and two local TV services offered by STV.

In 2017 we saw the first significant changes in the composition of the market; two independent licensees left the market, leaving eight services offered by independents, eight services provided by Made TV, 12 licensed services provided by That's Media, and five from STV. During 2018 the sector

underwent further change as the number of independent licensees fell further, from eight to six. This may reflect the challenging market in which the licensees operate. Made TV maintained its provision of eight licensed services during 2018, while That's Media Group increased its market share to 59%, holding 20 local TV licences, having acquired them from two independents and from STV, which left the market.