



# Channel 4 Corporation response to Ofcom's Consultation on Channel 4's Made outside England Quotas

**August 2024**



## Table of Contents

<b>Executive summary</b> .....	3
<b>Channel 4 response to Ofcom’s consultation proposals</b> .....	5

## Executive summary

As the UK's only publicly owned and commercially funded public service broadcaster (PSB), Channel 4 is proud to represent the whole of the UK. We have been at the forefront of championing programme-making across Scotland, Wales, Northern Ireland and the English regions in the past decade: investing a total of over £1 billion in nations and regions productions between 2018 and 2022; opening our national headquarters in Leeds alongside offices in Bristol, Glasgow and Manchester; currently housing over 500 roles and committing to having 600 roles in the nations and regions; voluntarily committing to ensure that 50% of our main channel commissioning budget is spent outside London (in 2022 we delivered 52% and a total of £228m across our portfolio); and investing to support growth in talent and skills.<sup>1</sup>

Our voluntary commitments to serve the whole of the UK are underpinned by the minimum quota requirements in the licence for our main channel. Our 'Made outside England' ('MoE') quotas require us to ensure that at least 9% of our first-run original programming (by hours and spend) is made in Scotland, Wales, and Northern Ireland. The current quota level represents a significant increase from the 3% that was required until the end of 2019. We have always delivered against – and often exceeded – these quotas, alongside our other licence requirements and the broader statutory responsibilities that constitute our public service remit.

The recent industry-wide commissioning downturn has highlighted both the importance and the complexity of building a sustainable production ecosystem across the UK. Growing strong production clusters and networks in the nations and regions is of major importance for British culture and society, and essential for sustaining the UK's creative industries as a world-leading source of economic growth. We see it as a joint responsibility to fulfil this mission, in collaboration with our fellow PSBs and key industry partners, including the national screen agencies.

Since Ofcom's initial consultation on the new Channel 4 licence in December 2023, we have heard and taken on board the strong desire for an increase to these quotas from programme makers and screen agencies in Scotland, Wales, and Northern Ireland. In April 2024, we announced that we would support a managed, timely and carefully considered increase to our quotas for production in the nations. We therefore support Ofcom's proposal to increase the MoE hours and spend quotas to 12%, taking effect from 2030. We consider this to be a challenging but manageable change to our licence, which will provide some additional certainty for the sector in Scotland, Wales, and Northern Ireland.

As with all our quotas, we will continue to see the new 12% level as a minimum threshold and not a target – and our intention is to reach this level in advance of 2030. Nonetheless, there are real risks associated with higher quotas in an uncertain and constantly changing media market. In its consultation, Ofcom recognises the need for licence requirements to be set at a level which allows us sufficient commercial flexibility to undertake major strategic changes to our business as we prioritise growing digital viewing and revenues under our Fast Forward strategy. Delivering our public service remit to audiences over the next licence period will depend on our successful transformation into a digital-first public service streamer.

A balance must therefore be struck between providing additional certainty for the production sector in the UK nations, and ensuring that Channel 4 has sufficient commercial flexibility to deliver our wider remit and serve all audiences effectively in the long-term – which will in turn ensure more investment is made overall in the nations.

Quotas in our main channel licence which are set at too high a level, or which take effect too early in the new licence period, would mean less flexibility to commission ideas that deliver the highest possible audience impact and commercial returns – which ultimately risks undermining our digital

---

<sup>1</sup> £1bn figure refers to our cumulative spend on nations and regions productions across the C4 portfolio in the years 2018-2022, adjusted for inflation (CPI) based on 2022.

transformation. Increasing the quotas beyond the 12% level that Ofcom proposes would strike the wrong balance and risks undermining the sustainability of our remit delivery, as would applying additional separate quotas for each nation, or requiring higher quotas to take effect without an appropriate lead-in time during which we can adjust our commissioning strategy.

Overall, Ofcom's approach delivers the right balance for viewers, Channel 4, and the PSB ecosystem across Scotland, Wales, and Northern Ireland. We are also supportive of Ofcom's proposal to require us to set out additional information about our approach to commissioning outside England. Greater transparency about our approach will be of benefit to producers in the UK nations and help support deeper collaboration with key partners, and we stand ready to work with Ofcom to agree the details of what information can be provided.

## Channel 4 response to Ofcom's consultation proposals

**Question 1:** *Do you agree with our assessment of the potential impact on specific groups of persons? Please provide reasons for your response, with any supporting evidence.*

We agree with Ofcom that its proposal to increase Channel 4's MoE quotas should have a positive impact on the creative economy in the nations, and that the proposal could also improve the way that the people and culture of the UK nations are represented in Channel 4 programmes.

However, as Ofcom recognises, the requirements in our next licence must also allow Channel 4 to have sufficient commercial flexibility to make our Fast Forward strategy a success. There is a cumulative nature to the impact of our commitments and regulatory obligations. Any increase creates further complexity for our creative freedom, which is the engine that sustains the successful delivery of our remit for all audiences and drives our commercial success. This success will in turn ensure larger overall investment in the nations.

Ofcom also notes that it is possible that increasing our MoE quotas could mean that Channel 4 commissions fewer productions in England. Whilst we agree that some reallocation of commissioning spend from England may be necessary in order to meet higher MoE quotas, our intention would always be to reallocate spend from London wherever possible and maintain spend in the English regions. This is in line with our 4 All the UK strategy, and our voluntary commitment to ensure that at least 50% of our main channel commissioning budget is spent outside London.

**Question 2:** *Do you agree with our Welsh language impact assessment? Please provide reasons for your response, with any supporting evidence*

We agree with Ofcom that the proposals for the renewed Channel 4 licence will not have any impact on opportunities for persons to use the Welsh language, or on treating the Welsh language no less favourably than the English Language. Although we do not have a requirement to commission Welsh language programming, we are currently collaborating with S4C in bringing a Welsh-language opera *Un Nos Ola Leuad* ("One Moonlit Night") to the small screen, and we also acquired the award-winning Welsh language documentary *Sex, Me and Disability* originally made for S4C by Wildflame, which was broadcast earlier this year.

**Question 3:** *Do you agree with our proposals that:*

*a) until 31 December 2029, in each calendar year at least 9% of the hours of programmes made in the UK for viewing on the Channel 4 service must be produced outside England, and at least 9% of the expenditure on programmes made in the UK for viewing on the service must be allocated to the production of programmes outside England and referable to programme production at production centres in Scotland, Wales and Northern Ireland?*

*b) with effect from 1 January 2030, in each calendar year at least 12% of the hours of programmes made in the UK for viewing on the Channel 4 service must be produced outside England, and at least 12% of the expenditure on programmes made in the UK for viewing on the service must be allocated to the production of programmes outside England and referable to programme production at production centres in Scotland, Wales and Northern Ireland?*

### **Growing the production sector across the whole of the UK is a central strategic concern for Channel 4**

TV and film production in the UK has historically been focused in and around London and the South-East. PSBs, including Channel 4, have been pivotal in growing talent and production outside of London, boosting local economies and opening up opportunities for people from all

backgrounds to have meaningful careers in TV and film. This contribution to the creative economy in the UK nations and regions is central to our public service role.

Our success in delivering our remit sustainably is dependent on the vitality of the UK’s production ecology. We need our content to be distinctive, challenging and constantly pushing the boundaries creatively – and to achieve that, we need as much diversity as possible in our production supply base and in the range of ideas that get pitched to our commissioners. Supporting growth in the production sector across Scotland, Wales, Northern Ireland, and the English regions is therefore a crucial determinant both of our commercial success, and our ability to deliver our remit.

The main channel quotas in our licence are an important backstop to guarantee a minimum level of production, and where possible we always aim to exceed them. As shown in Table 1 below, in 2023 we delivered 11% spend and hours in the nations – exceeding our quotas by 22%, and delivering our highest ever performance against the MoE spend quota. We also delivered a record proportion of 67% of programme hours commissioned from outside London.

**Table 1: Overview of Channel 4 delivery against nations and regions quotas, 2014-2023**

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Quota
<b>Investment in the nations and regions</b>	% of spend	42%	39%	40%	45%	45%	46%	47%	55%	52%	51%	35%
	% of hours	51%	53%	55%	57%	59%	54%	58%	66%	66%	67%	35%
<b>Investment in the nations</b>	% of hours	6%	9%	9%	12%	10%	11%	12%	10%	9%	11%	9%*
	% of spend	6%	7%	8%	9%	8%	8%	9%	9%	9%	11%	9%*

\*since 2020 (between 2014-2019 the quota level was 3%)

But the quotas do not represent the sum total of our broader strategic commitment to serving the whole of the UK and growing the production sector outside London. We have recently reaffirmed our voluntary commitment to go beyond our 35% out of London quota and spend 50% of our main channel commissioning budget outside London each year. We have also increased our physical presence across the UK’s nations and regions through our national HQ in Leeds and creative hubs in Bristol, Glasgow, and Manchester. We are on track to hit our target to reach 600 roles outside of London.

Our Leeds-based 4Skills initiative provides young people with the skills and knowledge they need to break into the industry. In 2023, we supported 57,000+ training, development and learning opportunities, and we have committed to double our skills investment to £10 million per year by 2025, growing our reach and impact on the creative industry across the UK. Over 80 trainees have gone through our Content Creatives scheme aimed at young people from lower socio-economic backgrounds in West Yorkshire and Greater Manchester and gone on to creative careers with 4Studio, ITN, and other digital agencies. Our New Writers scheme is supporting 20 new writers from across the UK focussing on diverse, regional, and authentic voices who have a flair for television drama. Much of our work to drive skills growth has been in partnership with key stakeholders, including production companies, national screen agencies, and other PSBs.

**Our MoE quotas and other regulatory requirements must allow enough flexibility for Channel 4 to successfully transition into a digital-first public service streamer**

Our commitment to building an industry that benefits and represents all the UK remains unwavering, despite short-term challenges and long-term uncertainties in the markets in which we operate. The next decade will be one of significant change for Channel 4 and the wider media

sector. We have seen seismic changes in how people watch content, with a huge shift from linear broadcast TV to digital streamed TV, watched when people want.

In January 2024, we launched our Fast Forward strategy, building on Future4 to accelerate our transformation into an agile and genuinely digital-first public service streamer. The strategy is designed to ensure we embrace the generational shift in TV viewing, elevate our impact across the UK and stand out in a crowded market. We are accelerating our move to a digital-first commissioning strategy with a significant shift in investment to types of programmes that drive streaming growth. Our focus will be on commissioning fewer, stronger titles that generate more scale and impact in delivering our remit. Alongside this, we are transforming our streaming platform to deliver a step-change in experience for audiences and for advertisers, building new distribution partnerships to reach audiences more effectively, continuing to ramp up digital advertising revenues, and exploring new opportunities for revenue diversification.

We welcome Ofcom's recognition that the requirements in our next licence must allow Channel 4 to have sufficient commercial flexibility to make the Fast Forward strategy a success. There is a cumulative nature to the impact of our commitments and regulatory obligations, and any increase creates further complexity for our creative freedom, which is the engine that sustains the successful delivery of our remit for all audiences and drives our commercial success. This success in turn will ensure larger overall investment in the nations.

### **Increasing the MoE hours/spend quotas to 12% from 2030 would represent a challenging but manageable extension of our main channel licence requirements**

A quota is a legal requirement that we will have to deliver regardless of market conditions and the overall level of our content budget. Any approach to increasing our MoE quotas must therefore be set at a realistic level that takes into account Channel 4's scale, the fact that advertising revenue comprises a significant part of our funding, the flexibility we need to adapt to changes in a fluctuating and sometimes challenging production market, and the time needed to adjust our model to grow digital audiences and adjust to wider regulatory change over the next decade.

Ofcom sets out a clear and considered case that MoE quotas set at 12% of hours and spend strike the right balance between guaranteeing a higher minimum level of production across the UK nations, whilst ensuring that we retain sufficient flexibility to pursue innovation in our content output and how we reach audiences in an increasingly online world. Ofcom's consultation document presents a detailed account of the evidence and analysis that we have provided to Ofcom throughout the licence renewal process.

Ofcom's analysis finds that setting quotas as high as 16% (as proposed by some key stakeholders) would not be appropriate. Based on its own modelling Ofcom finds that increasing the quota to 16% would present a greater risk to our future financial sustainability than increasing the quotas to 12%.<sup>2</sup> Ofcom does not consider the fact that the BBC's MoE quotas are set at 16% to be relevant, noting that unlike Channel 4 the BBC is publicly funded and has substantial in-house production capacity of its own.<sup>3</sup>

We also agree with Ofcom's conclusion that separate production quotas for Scotland, Wales and Northern Ireland would not be appropriate for Channel 4. In line with our Fast Forward strategy, we want to invest in significant returning shows with larger production budgets made in the UK nations. However, our content budget is significantly smaller than the BBC's. Sub-dividing our budget into different pots of dedicated spend for Scotland, Wales and Northern Ireland would result in relatively small-scale spending totals for each nation, whilst at the same time reducing the amount of 'free' spend that we have available to invest in programming of significant scale across the UK nations. This works against the aims of our Fast Forward strategy. If we are to

<sup>2</sup> Ofcom [Consultation on Channel 4's Made outside England quotas](#), p.17-20.

<sup>3</sup> Ofcom [Consultation on Channel 4's Made outside England quotas](#), p.23-24.

successfully transform into a truly digital first public service streamer, we need to be able to invest in commissions of scale, in order to drive digital audience and revenue growth.

Ofcom notes in its consultation that “building a stronger and more sustainable production sector outside of England will take time and sustained effort from all the PSBs, not only C4C”.<sup>4</sup> A key challenge to fostering sustainable growth in the sector in Scotland, Northern Ireland and Wales is ensuring that smaller production companies based in these areas can access the skills and funding necessary to successfully research, develop and pitch new ideas for potential future commissions, in tandem with producing existing commissions. Channel 4 commissioners, including those based in our Leeds, Bristol and Glasgow offices, can and do play an important role in supporting production companies during this process. We are also actively working to support production companies to gain greater scale through initiatives such as our Indie Growth Fund and Emerging Indie Fund.

Given the uncertain and challenging market in which we are operating, we agree with Ofcom’s view that the 12% quota should only formally take effect from 2030 onwards. We have always viewed our nations and regions quotas as a minimum, and we aim to exceed them wherever we can. It is therefore our ambition to hit the 12% level and if possible, exceed it in advance of 2030. Nonetheless, a sufficient lead-in time before implementation of the higher quota level is necessary to allow us to adjust to a higher quota at the same time as we make significant changes to our commissioning approach and wider organisational structure under the Fast Forward strategy. A further factor is that the Media Act makes major changes to the PSB regulatory framework, including changing the basis for how PSB quotas are calculated. These changes have yet to be implemented, and we consider it necessary to delay the formal commencement of a higher MoE quota level until this has taken place to allow for our internal operations to adjust to the new quota methodology.

**Question 4:** *Do you agree with our proposed guidance for C4C on how it should report on its MoE production in its SMCP? Please provide reasons for your responses, with supporting evidence.*

Ofcom’s consultation proposes that Channel 4 should set out additional information about our approach to delivery in the UK nations and the impact that our approach may have on both producers across the UK and the audiences that we need to attract to our content. Specifically, Ofcom has proposed that Channel 4 should set out in its SMCP:

- a) how its approach to commissioning outside of England supports and stimulates the TV production sector in the nations;
- b) its strategy for commissioning in each individual nation over the next year and how it delivered its strategy for the previous year; and
- c) its plans to engage with stakeholders and audiences in the nations in the next year and how it engaged with them over the previous year.

Ofcom considers that this additional information will provide transparency and enable Ofcom to have greater oversight of Channel 4’s nations production strategy and performance, which it will monitor via the annual Statement of Media Content Policy (SMCP) report process. Ofcom notes that transparency and clarity will also benefit the wider production industry.<sup>5</sup>

We are supportive of Ofcom’s proposal to amend its guidance on our SMCP process to ask us to include additional information about our approach to commissioning in each individual nation, and we look forward to more detailed conversations with Ofcom about the types of information that they would expect us to provide. Greater transparency about our approach will be of benefit to producers in the UK nations by enabling them to plan more effectively against the needs of our commissioning strategy. Nonetheless, it is important that any information which is disclosed

<sup>4</sup> Ofcom [Consultation on Channel 4’s Made outside England quotas](#), p.23. “C4C” is an abbreviation for the Channel 4 Corporation.

<sup>5</sup> Ofcom [Consultation on Channel 4’s Made outside England quotas](#), p.31.



publicly about our commissioning strategy does not put Channel 4 at a disadvantage to our commercial competitors; for example, by requiring us to release details of specific programmes before we would normally announce them to the market.

Overall, we believe that Ofcom's proposed approach to setting an appropriate increase to our nation's quota alongside an expectation of greater transparency strikes the right balance for viewers, Channel 4, and the PSB ecosystem across Scotland, Wales, and Northern Ireland.