Channel 4 licence renewal

Statement

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Section

1. Overview

1.1 The current Channel 4 licence will expire on 31 December 2024. Ofcom is responsible for setting the duration and conditions of a new licence for the Channel 4 Television Corporation (C4C) to provide the public service channel, Channel 4.

1.2 Channel 4 remains a key part of the UK's broadcasting ecology, with audiences continuing to rate it, and the broader range of services provided by C4C, highly. Our recent annual reviews of C4C's performance have found that it continues to broadly be delivering well year on year against its remit.[1] Audience research that we commissioned as part of this process shows that at its best, Channel 4 is still seen as distinctive and as successfully promoting new and diverse voices, representing audiences from different racial, gender identity and sexual orientation groups, as well as championing diversity through representation of disability. As such, it continues to play a key role in the range and diversity of Public Service Broadcasting (PSB) in the UK. During the current licence period C4C has also continued to invest significantly in production training and skills across the UK.

1.3 As audience viewing habits continue to evolve, all PSBs must compete even harder for audiences, which places further pressure on the sustainability of public service broadcasters. C4C's current operating model where it is predominantly reliant on advertising funding means that it faces unique financial challenges, and it must work hard to ensure its services continue to attract the younger audiences whom it has a duty to serve.

1.4 During this next licence period C4C will continue its transition from being primarily a linear[2] broadcaster to what its most recent strategy describes as being a "genuinely digital-first public service streamer".[3] It has an aspiration to reach this state by 2030. The decisions that we have made on the content and duration of the Channel 4 licence aim to support C4C in this transition. They seek to safeguard C4C's investment in distinctive UK content for audiences and protect the delivery of the core elements of its linear output for all UK audiences, including by:

- Securing Channel 4's distinctive role in the plurality of news in the UK;
- Enabling C4C's investigative current affairs to have greater impact;
- Giving additional flexibility to support C4C's digital transformation;
- Increasing Channel 4's requirements for production outside of England; and
- Giving C4C and industry the long-term certainty of a 10-year licence

1.5 The relicensing process has exposed significant concerns among stakeholders in the production sector about C4C's role in supporting the creative economy in the UK outside London, and particularly outside of England, its engagement with the production sector outside of England and its commitment to this agenda. We consider that our decision to increase the level of Channel 4's Made Outside England quotas, alongside the guidance we are giving on how C4C should report on its approach to commissioning in each of the

[1] Webpage: Regulating Channel 4.
[2] 'Linear' refers to content watched live on a television set.
[3] Webpage: Fast Forward strategy.

nations,[4] will deliver positive outcomes. The increased quotas should support production outside England, contribute to a diverse range of programmes that reflect the lives and interests of communities across the UK, and give C4C appropriate flexibility to successfully implement its digital strategy to ensure that it can continue to deliver its remit for the benefit of all UK audiences. However, at the same time it is important that C4C is more open and transparent about its impact in the nations and publishes data regularly on its approach to commissioning in future to help to ensure a strong and ongoing presence in each of the nations.

Our decisions on the Channel 4 licence – in brief

News

To **retain the condition requiring no less than 208 hours of news in peak** viewing time,[5] each calendar year over the licence period.

To **retain the condition requiring one news programme** a day in the early evening including on Saturdays and Sundays.

To **remove the condition requiring one news programme at lunchtime** every weekday.

Current affairs

To **retain the licence condition requiring no less than 80 hours** of current affairs **in peak** viewing time.

To **reduce the number of hours of current affairs** that must be broadcast in each calendar year from no less than 208 **to no less than 178 hours**.

Original productions

To **retain the requirement that at least 70%** of the hours of programmes **in peak** are originally produced or commissioned for the service.

To **reduce the current requirement that at least 56%** of the hours of programmes included in the service in each calendar year are originally produced or commissioned for the service **to at least 45% of hours each calendar year**.

Regional production

To **retain the requirement that in each calendar year at least 35% of the hours** of programmes made in the UK for viewing on the service must be produced outside the M25, and **at least 35% of expenditure** on programmes made in the UK for viewing on the service must be allocated to the production of programmes produced outside the M25.

To **increase the requirements on Channel 4 in relation to programme production in the UK outside of England** from 2030.

From 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

[4] In this statement, 'nations' refers to Scotland, Wales and Northern Ireland.
[5] Peak viewing time is considered to be 18:00 to 22:30.

allocated to the production of programmes outside England and using production centres in Scotland, Wales and Northern Ireland.

We are also providing guidance **that C4C should set out annually its strategy for commissioning in Scotland, Wales and Northern Ireland** over the coming year, and how it has delivered its strategy for the previous year, to ensure transparency and accountability to its key stakeholders across the whole of the UK.

Independent productions

To **retain the requirement that not less than 25%** of the total amount of time allocated to the broadcasting of qualifying programmes on the service is allocated to the broadcasting of a range and diversity of independent productions.

Duration of the licence

To **renew the licence for a ten-year period** starting from 1 January 2025.

We are removing two conditions from the licence as a result of changes made by the Media Act 2024:

- the publisher broadcaster restriction
- schools programming.

2. Introduction

Background to this statement

2.1 The current licence for Channel 4 expires at the end of 2024. Under section 231 of the Communications Act 2003 ('the Act'), Ofcom has the power to renew the Channel 4 licence for a further period.

2.2 On 6 December 2023 Ofcom published a consultation (the 'December consultation') on the renewal of the Channel 4 licence. The consultation period closed on 14 February 2024. We received 22 responses to the consultation, as well as additional representations from stakeholders after the consultation period had closed.

2.3 Many of the responses we received focused on our proposal to retain Channel 4's Made Outside London ('MoL') quotas at 35% of hours and spend and its Made Outside England ('MoE') quotas at 9% of hours and spend.

2.4 Taking into account stakeholders' views and additional information we gathered from C4C, on 19 July 2024 we published a second consultation (the 'July consultation') in which we proposed to increase Channel 4's MoE quotas to 12% of hours and spend from 2030. We did not consult on new proposals for any other licence conditions or on the licence duration, but said that we would consider any new representations raising points about our December proposal for the MoL quotas, given their interaction with the MoE quotas proposed in the July consultation. We received 26 responses to the July consultation, of which 3 were fully confidential.

2.5 Having carefully considered the responses to the December and July consultations, and undertaken extensive engagement with industry and stakeholders across the nations and regions, we are now publishing this statement setting out our conclusions on the duration and conditions of Channel 4's new licence.

3. Framework for licence renewal

Channel 4's remit and obligations

3.1 C4C is a publicly owned, not-for-profit body, funded by commercial revenues. Its main channel, Channel 4, was launched in 1982 with the aim of extending the choice available to viewers, appealing to tastes and interests not generally catered for by other broadcasters, and so encouraging innovation and the development of the independent production sector. Since then, C4C has launched a range of portfolio channels[6] and a streaming service, referred to in this statement as Channel 4 Streaming (previously All4).[7]

3.2 Channel 4 has a unique and specific public service remit and contributes to the overall purposes of public service broadcasting (PSB).[8] The Communications Act 2003 (the Act) envisages the collective fulfilment of the PSB purposes by the public service broadcasters (PSBs) to secure the objectives set out in section 264(6) of the Act. These include the provision of public service television services which, taken together: inform, educate, and entertain; reflect cultural activity in the UK and its diversity; and facilitate to an appropriate extent civic understanding and fair and well-informed debate on news and current affairs.

3.3 C4C's statutory remit is to provide a broad range of high quality and diverse programming which, in particular: demonstrates innovation, experimentation and creativity in the form and content of programmes; appeals to the tastes and interests of a culturally diverse society; makes a significant contribution to the need for public service channels to include educational programming; and exhibits a distinctive character.[9]

3.4 C4C also has a range of statutory media content duties which it can deliver across any broadcast or online services,[10] including Channel 4 Streaming.[11] These include duties to:

a) make a broad range of high quality content that appeals to the tastes and interests of a culturally diverse society;
b) provide news and current affairs;
c) provide content which appeals to older children and young adults;
d) make, broadcast and distribute high quality films, intended to be shown to UK audiences, and broadcast and distribute films (including third-party films) that reflect cultural activity in the UK to audiences;
e) support the development of people with creative talent;
f) promote alternative views and new perspectives;
g) promote measures intended to ensure that people are well-informed and motivated to participate in society; and

[6] These include E4, E4 Extra, More4, Film4, and 4seven.
[7] Webpage: [Channel 4 transforms brand to help viewers navigate crowded digital world.]
[8] These purposes are set out in section 264(4) of the Communications Act 2003.
[9] Section 265(3) of the Act. The Channel 4 licence must include a condition requiring C4C to fulfil the public service remit for Channel 4.
[10] The relevant online services are on-demand programme services and other services provided by means of the internet where there is a person who exercises editorial control over the material included in the service.
[11] The media content duties are set out in section 198A of the Act.

h) support and stimulate well-informed debate on a wide range of issues, including by providing information and views from around the world and by challenging established views.

3.5 C4C has further specific obligations set out in the broadcast licence for Channel 4.

Previous licence conditions

3.6 The current Channel 4 licence includes obligations to provide, in each year of the licence period:

- 208 hours of news programming in peak time, including:
  - one programme at lunchtime each weekday and one in the early evening each weekday; and
  - a programme in the early evening at weekends on both Saturday and Sunday.
- 208 hours of current affairs programming, of which 80 hours are allocated to peak time.
- 25% of qualifying programmes to be commissioned from independent producers.
- 56% of all Channel 4 programming to be original productions, with 70% of programming in peak time being original productions.
- 35% of hours and spend to be allocated to programmes produced in the UK and outside the M25.
- 9% of hours and spend to be allocated to programmes produced in the UK and outside England.
- 30 minutes of schools programmes.

3.7 The licence includes a range of other conditions, such as requirements around subtitling, sign language and audio description, which we are not required to consider as part of the renewal of the Channel 4 licence and are therefore not addressed in this statement. These conditions will remain unchanged in the renewed licence.

Ofcom's renewal of the licence

3.8 The current licence was set in 2014 for a period of ten years and Ofcom has the power to renew the licence for a further period. In doing so, Ofcom must:

- set licence conditions that Ofcom "*consider appropriate*" to secure certain matters specified under the Act; and
- determine the length of the renewed licence, which may run *"for such period as Ofcom may think fit*". [12]

3.9 The conditions Ofcom must impose in the Channel 4 licence include requirements to secure:

- an appropriate volume of news and current affairs (and for the time to be split between peak and other times as Ofcom consider appropriate);[13]
- a suitable proportion of programmes commissioned from independent producers (not less than 25% of qualifying programmes);[14]

[12] Section 231 of the Act.
[13] Section 279 of the Act.
[14] Section 277 of the Act.

- an appropriate proportion of programming to be original productions for the channel (with conditions as we see appropriate for peak and other times);[15] and
- a suitable proportion of programming made outside London.[16]

3.10 Ofcom has general duties, in carrying out its functions, to further the interests of citizens in relation to communications matters and consumers in relevant markets, where appropriate by promoting competition.[17] In doing so, Ofcom must have regard to a number of matters including the desirability of promoting the fulfilment of the purposes of public service television broadcasting in the United Kingdom.[18] When setting the conditions and determining the length of the renewed licence, therefore, Ofcom will consider Channel 4's contribution to the fulfilment of the PSB purposes. The Act envisages the collective fulfilment of these purposes by the PSBs, so it may be appropriate for different requirements to be set for different broadcasters.

The impact of the licence

3.11 Section 7 of the Act requires us to carry out and publish an assessment of the likely impact of implementing a proposal which would be likely to have a significant impact on businesses or the general public, or when there is a major change in Ofcom's activities.

3.12 More generally, impact assessments form part of good policymaking and we therefore expect to carry them out in relation to a large majority of our proposals. We use impact assessments to help us understand and assess the potential impact of our policy decisions before we make them. They also help us explain the policy decisions we have decided to take and why we consider those decisions best fulfil our applicable duties and objectives in the least intrusive way. Our impact assessment guidance sets out our general approach to how we assess and present the impact of our proposed decisions.

3.13 The relevant duties in relation to the decisions we are making are set out in section 5. The analysis in our December and July consultations constitutes an impact assessment in respect of the proposals that we are deciding on in this statement. We have considered stakeholder responses to the assessment in this statement.

3.14 As we explain more fully throughout this statement and in relation to each decision in section 1, we expect that our decisions on the Channel 4 licence conditions and duration will have a positive impact on C4C and its audiences. The new conditions will help ensure fulfilment of the PSB purposes and Channel 4's remit by securing appropriate volumes of news, current affairs, original productions, productions made in the UK's nations and regions and independent productions. We believe that this will be in the interests of audiences, especially younger audiences which C4C has a specific duty to serve.

3.15 At the same time, the licence will promote C4C's future sustainability by providing it with the flexibility required to successfully deliver its *Fast Forward* digital strategy (see paragraph 4.5 below) so that it can continue to deliver Channel 4's remit and its media content duties over the licence period.

[15] Section 278 of the Act.
[16] Section 288 of the Act.
[17] Section 3 of the Act.
[18] Section 3(4)(a) of the Act.

3.16 Since May 2024, Ofcom has a new statutory duty to have regard to the desirability of promoting economic growth when exercising certain regulatory functions.[19] In performing this duty, Ofcom must consider the importance of the promotion of economic growth and ensure any regulatory action we take is necessary and proportionate. We consider our decisions will promote C4C's sustainability and that this in turn will promote economic growth in the UK.

Equality impact assessment

3.17 Section 149 of the Equality Act 2010 ('the 2010 Act') imposes a duty on Ofcom, when carrying out its functions, to have due regard to the need to eliminate discrimination, harassment, victimisation and other prohibited conduct related to the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation. The 2010 Act also requires Ofcom to have due regard to the need to advance equality of opportunity and foster good relations between persons who share specified protected characteristics and persons who do not.

3.18 Section 75 of the Northern Ireland Act 1998 ('the 1998 Act') also imposes a duty on Ofcom, when carrying out its functions relating to Northern Ireland, to have due regard to the need to promote equality of opportunity and have regard to the desirability of promoting good relations across a range of categories outlined in the 1998 Act. Ofcom's [Revised Northern Ireland Equality Scheme] explains how we comply with our statutory duties under the 1998 Act.

3.19 To help us comply with our duties under the 2010 Act and the 1998 Act, we assess the impact of our proposals on persons sharing protected characteristics and, in particular, whether they may discriminate against such persons or impact on equality of opportunity or good relations.

3.20 When thinking about equality we also think more broadly about potential impacts on various groups of persons (see paragraph 4.7 of our [impact assessment guidance]). In particular, section 3(4) of the Act requires us to have regard to the needs and interests of specific groups of persons when performing our duties, as appear to us to be relevant in the circumstances. These include:

a) the vulnerability of children and of others whose circumstances appear to us to put them in need of special protection;

b) the needs of persons with disabilities, older persons and persons on low incomes; and

c) the different interests of persons in the different parts of the UK, of the different ethnic communities within the UK and of persons living in rural and in urban areas.

3.21 We carried out an equality impact assessment of our proposals in the July and December consultations. We set out a summary of our assessment, stakeholder responses and our conclusions below.

[19] Under section 108 of the Deregulation Act 2015. The Economic Growth (Regulatory Functions) (Amendment) Order 2024 applies the duty set out in section 108 to Ofcom.

What we said

3.22 In the December consultation, we said that our proposals to reduce some of C4C's obligations to deliver content on Channel 4, in order to give it the flexibility to invest more in its online content and services, would likely benefit younger audiences in particular by increasing the range and quality of content on the platforms they are most likely to engage with. We also noted that our proposal to retain Channel 4's core news requirements could benefit audiences from minority ethnic backgrounds, as research indicates that C4C's news offering is popular among these audiences.[20]

3.23 We acknowledged that our proposals may have an adverse impact on audiences who are more reliant on traditional broadcast TV, including older people and those from lower socio-economic groups. We also said that our proposals to retain Channel 4's regional production quotas at their current levels may not deliver a potential increase in the positive impact on audiences in the nations and regions or the creative economy in those areas.[21]

3.24 In the July consultation, we set out our view that our proposal to increase C4C's MoE quotas may have a positive impact on the creative economy in the nations. We said that the proposals could also improve the way that the lives and concerns of different communities and their cultures and traditions are reflected and represented to viewers or citizens in the UK.[22]

3.25 We said that it is also possible that increasing Channel 4's MoE quotas could mean that less production for Channel 4 occurs in the English regions or London, which may negatively impact the creative economy and audiences living in those areas.[23]

Stakeholder comments

3.26 In response to the December and July consultations, some stakeholders raised concerns about the impact of C4C's digital-first strategy on certain groups.[24] These included audiences who are more reliant on traditional broadcast services (for example, older audiences and those without or with limited broadband access), blind and partially sighted audiences and members of the creative industry workforce. A number of stakeholders said that our proposals around Channel 4's regional production quotas would disadvantage audiences and production companies in the nations and regions.[25] On the other hand, C4C considered that our proposal to increase Channel 4's MoE quotas should have a positive impact on the creative economy in the nations and could also improve audience representation.[26]

3.27 We discuss these points and our response in more detail in section 5.

[20] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 8.
[21] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 8-9.
[22] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 6.
[23] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 6.
[24] ACS response to the December consultation, p. 1; Directors UK response to the December consultation, p. 1-2; RNIB response to the December consultation, p. 1-2; VLV response to the December consultation, p. 3.
[25] ACS response to the July consultation, p. 2-3; Creative Wales response to the December consultation, p. 1; Directors UK response to the July consultation, p. 2; Name Withheld 2 response to the December consultation, p. 1; Pact response to the December consultation, p. 5; TAC response to the December consultation, p. 1; WGGB response to the July consultation, p. 1.
[26] C4C response to the July consultation, p. 5.

Our assessment

3.28 We acknowledge stakeholders' concerns about the potential impact of the changes on audiences who are more reliant on C4C's linear services. We have sought to mitigate the risk of any adverse impacts on linear audiences by protecting the core aspects of C4C's PSB remit delivery and ensuring that C4C continues to provide appropriate volumes of news, current affairs and original productions on the Channel 4 linear service.

3.29 We continue to consider that it is appropriate for C4C to have more flexibility to invest more in its online content and services. This is likely to benefit younger audiences, who C4C has a specific duty to serve. It is also likely to benefit linear audiences, as supporting C4C's financial sustainability will ensure that it can continue to deliver Channel 4's remit and media content duties across the next licence period.

3.30 We acknowledge concerns around the potential impact on audiences and the production sector in the nations and regions, and address this in more detail in section 5 below.

Welsh Language Impact Assessment

3.31 The Welsh Language (Wales) Measure 2011 established a legal framework to impose duties on certain organisations to comply with standards in relation to the Welsh language.

What we said

3.32 In the December and July consultations we set out our view that our 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. C4C's remit does not include Welsh language programming (S4C is the Welsh language PSB service) and the Channel 4 licence does not include any Welsh language conditions.[27]

Stakeholder comments

3.33 In response to the December and July consultations, Screen Scotland pointed out the absence of any comparable consideration of Gaelic language impact assessment.[28] Professor Robert Beveridge said that C4C should have a sub-quota for Gaelic production, because the language is more at risk than Welsh.[29]

3.34 C4C agreed with our assessment and noted that although it does not have a requirement to commission Welsh language programming, it is collaborating with S4C on a number of Welsh programmes.[30] Creative Wales underlined the indirect benefits that can be realised through joint working (also pointing to the collaboration between C4C and S4C) and suggested that any future licence should provide a framework to support more of this work.[31]

3.35 Creative Wales noted that any licence requirements that could reduce the positive impact of C4C's investment in Wales could potentially have negative impacts on the Welsh language.[32]

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[27] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 9; Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 7.

[28] Screen Scotland response to the December consultation, p. 1.

[29] Professor Robert Beveridge response to the July consultation, p. 2.

[30] C4C response to the December consultation, p. 9.

[31] Creative Wales response to the December consultation, p. 1.

[32] Creative Wales response to the July consultation, p. 4.

Our assessment

3.36 We welcome collaboration between C4C and other stakeholders in the nations (including other broadcasters and screen agencies). However as noted in our consultation, C4C's remit does not include Welsh language programming and the Channel 4 licence does not include any Welsh language conditions. There is no Gaelic language equivalent to the framework established by the Welsh Language (Wales) Measure 2011. BBC ALBA is the Gaelic language media service provided through a partnership between the BBC and MG ALBA.

3.37 Overall, we consider that our decisions 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.

4. Context in which we are renewing the licence

Broadcasting landscape and C4C's transformation strategy

4.1 As we set out in the December consultation, the broadcasting sector has undergone enormous change since the last renewal of the Channel 4 licence in 2014. Viewing of broadcast television has declined significantly, particularly among younger age groups, with audiences increasingly watching content on demand. At the same time, public service broadcasters face intense and growing competition for audiences' attention from global streaming services, putting the sustainability of the UK's PSB system under further pressure.

4.2 As a result, all of the UK's PSBs are at various stages in their strategies to move from a primarily linear delivery model to a digital-first one. The profile of C4C's audience skews younger than that of the other PSBs; this is the age group turning away from traditional linear TV viewing the fastest, with the number of 16-24s who watch broadcast TV on a weekly basis falling from 76% in 2018 to 48% in 2023.[33]

4.3 As part of this process, we commissioned research from Jigsaw to improve our understanding of audience perceptions and consumption of C4C's services. This found that the Channel 4 brand is losing resonance amongst younger audiences.[34] However, older audiences and those more familiar with Channel 4 tended to have a clearer perception of the broadcaster as being more boundary pushing and diverse in its output than the other PSBs.[35]

4.4 All of this makes successful delivery of C4C's digital transformation even more pressing. It has been among the first public service broadcasters to set out an approach which clearly prioritises digital growth over linear viewing.

Fast Forward sets out C4C's plans for digital transformation

4.5 Since we published the December consultation, C4C has launched its new strategy which signals the acceleration of C4C's transformation into a digital-first PSB. The key pillars of *Fast Forward* are:

- Digital growth and transformation: including shifting investment to digital-first commissioning and focusing on fewer, more high-impact titles that perform well on its streaming service and in peak time on Channel 4.
- Diversified new business: including exploring the potential of moving into intellectual property ownership and growing the subscription tier of its streaming service.

[33] Ofcom, Media Nations: UK 2024, p. 9.
[34] Jigsaw, Channel 4 Corporation Relicensing research, November 2023, p. 23.
[35] Jigsaw, Channel 4 Corporation Relicensing research, November 2023, p. 22-23.

- Reengineering the business for a digital-first world: including reducing headcount (predominantly in legacy operations), moving out of C4C's London base at Horseferry Road into new premises, and closing smaller linear channels.

4.6 We support the objectives behind *Fast Forward*, the successful delivery of which is a crucial part of C4C being able to continue to deliver for a wide range of UK audiences, particularly younger viewers, as well as helping to secure its long-term sustainability.

Financial context for the new licence

4.7 All of the commercial PSBs have been operating in challenging economic conditions in recent years, with a downturn in the TV advertising market following a post-Covid rebound in 2021. Spend in the TV advertising market dropped 8.9% in 2023 to £4.9bn (from £5.38bn the previous year). This was driven by a steep decline in spend on linear TV which decreased 13.6% in 2023 to £3.9bn. Broadcast-video-on-demand (BVoD) advertising spend grew to £979.6m, up 15.9% on 2022, continuing a trend of strong growth but still not offsetting falls in linear TV spend. In Q1 2024 the TV advertising market saw its first year-on-year growth in two years by a modest nominal 1.3%, driven by BVoD, which was up 19.2%. Forecasts suggest that BVoD advertising growth will accelerate further this year particularly due to advertising against large sporting events.[36]

C4C has been impacted by the challenging economic environment, and uncertainty remains around its financial sustainability

4.8 C4C's existing operating model means that it is predominantly reliant on advertising to fund itself and is therefore more exposed than the other commercial PSBs to fluctuations in the advertising market. In the July consultation we highlighted that C4C has had to make some difficult decisions as part of its *Fast Forward* strategy, including staff redundancies and decommissioning of certain series.

4.9 Like the other PSBs, C4C's financial position has been impacted by the challenging broader macroeconomic environment. The latest financial information it has provided us with shows that its revenues in 2022 and 2023 were 5% lower than it originally forecast, a decline which was driven almost entirely by the drop off in linear advertising revenues.[37]

4.10 While C4C has offset some of the revenue decline in 2022 and 2023 with a reduction in content spend, there is a limit to the level of reduction that is possible while it pursues a digital-first commissioning strategy which focuses investment on high-impact, high-tariff programming that drives streaming growth. As a result, the expected surplus for the current licence period is expected to be approximately 30% lower than forecast in C4C's May 2023 submission.

4.11 C4C's *Fast Forward* strategy is designed to react to changing audience viewing habits and reflects the need to accelerate the diversification of revenue streams away from linear advertising. Its previous strategy, *Future4*, aimed to generate 30% of total revenues from

[36] AA/WARC.

[37] C4C made a submission to Ofcom setting out its requests for the new licence in May 2023 (C4C's 'May 2023 submission'), which included an estimated full year of costs and revenues for 2022 and figures from its three-year business plan for 2023 and 2024. Since then, C4C has reported the 2022 and 2023 actuals (costs, revenues and surplus/deficit) and updated its revenue and cost projections for 2024 (C4C's April 2024 information request response, Annex 1.v.).

digital advertising by 2025.[38] With *Fast Forward* this target has been set for 30% in 2024, one year earlier, and 50% by 2030.[39]

4.12 C4C shared with us the cost saving targets for the *Fast Forward* strategy (2024-2026) to support the redesign of the business for its digital transition.[40] Our analysis indicates that if these cost savings are achieved then C4C will be able to support its short-term commissioning needs.

4.13 However, C4C's recent performance indicates that the long-term uncertainties concerning the balance of linear and digital revenue, and its financial sustainability, have not diminished. In our most recent review of C4C's Statement of Media Content Policy ('SMCP Report')[41] we said that C4C is evolving its advertising strategy to reflect changing audience habits and technology, however the need for it to accelerate its digital transformation is demonstrated by the relative performance of its linear and digital revenue streams. We continue to believe that C4C needs to retain flexibility, particularly around commissioning decisions, to support its transformation to being a digital-first broadcaster while continuing to deliver for all audiences and secure its long-term sustainability.

4.14 We discuss C4C's updated financial projections and our testing of its assumptions in the length of licence section in section 5.

The Media Act and the legislative context for the new licence

4.15 Since we published the December consultation, the Media Act 2024 has become law. The Media Act will play a crucial role in supporting the UK PSBs in their digital transformations. It enables changes to the way C4C delivers its obligations and to its operating model, including by:

- Updating the PSB framework in a way that will support C4C in its digital transformation by allowing PSBs to deliver their public service remits across a broader range of services, including third-party online platforms, and many of their quotas on designated on-demand services.
- Introducing a new regime to ensure the availability and prominence of live and on-demand PSB content on major smart TV platforms, complementing existing electronic programme guide (EPG) prominence rules.

4.16 We will implement these changes as quickly as possible and have published a Roadmap setting out our high-level plan for doing so.[42]

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[38] Webpage: Future4 strategy.
[39] Webpage: Fast Forward strategy.
[40] C4C's April 2024 information request response, Annex 1. u.
[41] Under section 198B of the Act, C4C must publish an annual statement of media content policy setting out its plans for meeting its media content duties in the coming year and reporting on its performance over the past year. C4C must consult Ofcom in preparing the statement and have regard to Ofcom guidance. Under section 266 of the Act, C4C must prepare a similar statement in relation to its delivery of Channel 4's public service remit and licence obligations. In our guidance, we ask C4C to combine the statements in a document which we refer to as C4C's Statement of Media Content Policy (SMCP). Ofcom responds to C4C's SMCPs, and our most recent SMCP Report is at: Letter to Channel 4 Corporation on its Statement of Media Content Policy 2023.
[42] Ofcom, Media Act Roadmap, February 2024.

4.17 Two other changes relevant to the new licence have already come into force:

- the restriction on C4C making programmes for broadcast on Channel 4, known as the 'publisher-broadcaster restriction', has been removed.[43] This restriction was imposed as a condition of Channel 4's current licence and we will therefore remove the condition from the renewed licence.
- provision for Channel 4's licence to include a schools programming quota has also been removed.[44] We will remove this quota from the renewed licence.

Our approach to setting a new Channel 4 licence

What we said

4.18 In the December consultation, we set out that in determining the appropriate conditions and duration of Channel 4's new licence, we considered the rapid changes in the broadcasting landscape and the likelihood that audience habits will continue to evolve over the licence period. We also considered the need for C4C to respond to these challenges by transforming towards being a digital-first PSB, in line with its strategy.[45]

4.19 Taking into account these factors, we said that our approach aimed to strike a balance between allowing C4C greater flexibility in the future to develop its content and distribution strategy in support of its digital transformation, while continuing to safeguard its investment in distinctive UK content and protect the delivery of the core elements of its linear output. We reiterated this approach in the July consultation.[46]

4.20 Some stakeholders responded to our proposed approach to setting the new licence in the December consultation. We set out these views and our response below.

Stakeholder comments

4.21 C4C agreed with our approach, which it said was consistent with its continuing digital transformation and would deliver positive impacts for UK audiences.[47]

4.22 Dr Phil Ramsey of Ulster University agreed with our approach of "striking a balance" between preserving the core elements of Channel 4's remit while giving C4C more flexibility in how it fulfils its duties, citing changing television habits and the fact that C4C's unique position means that it is more exposed to fluctuations in the advertising market and could not at that time make programmes for broadcast on Channel 4.[48]

4.23 ITN broadly agreed with our approach which allows for some greater flexibility in how Channel 4's news output is delivered, however it urged "caution over placing too much emphasis on one type of performance over another".[49]

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[43] The restriction was set out in section 295 of the Act. It required C4C not to be involved, except to such extent as Ofcom may allow, in the making of programmes to be broadcast on Channel 4. It is revoked by section 31 of the Media Act.

[44] The provision was in section 296 of the Act which is revoked by section 16 of the Media Act.

[45] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 31.

[46] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 10.

[47] C4C response to the December consultation, p. 8-9.

[48] Dr Phil Ramsey response to the December consultation, p. 1.

[49] ITN response to the December consultation, p. 2.

4.24 VLV agreed with our approach and our assessment of the shifting broadcasting landscape and audience viewing habits, which requires broadcasters to expand their on-demand offerings. It questioned the extent to which it is possible to accurately predict how the landscape will evolve over the next licence period, and welcomed C4C's commitment that changes to its content delivery model will happen gradually, acknowledging that viewing to Channel 4 remains important to audiences.[50]

4.25 A number of stakeholders broadly agreed with our approach, with the exception of our proposals around Channel 4's regional production quotas.[51]

4.26 Screen Scotland stated that C4C's strategy of prioritising digital growth over linear ratings is only logical if Channel 4 continues to deliver against its core purposes and remit, and that there is a risk that in "loosening so many requirements" and allowing C4C to focus on winning mass audiences with commercial content while avoiding "at risk genres", Ofcom is "enabling [C4C's] survival at the expense of its purpose".[52]

4.27 Ofcom's Advisory Committee for Scotland agreed with the flexibility inherent in our overall approach but cautioned that "the search for commercial sustainability [for C4C] must not dilute the diverse and cultural remit of Channel 4". It said that Ofcom's approach to the new licence must be seen as part of a bigger picture to avoid any unintended consequences, for example any impact on the production sector in Scotland.[53]

4.28 The RNIB said that our approach should emphasise that while we support C4C's digital-first strategy, we are seeking to "strike a balance between allowing C4C greater flexibility in the future to develop its content and distribution strategy in support of its digital transformation, while continuing to safeguard its investment in distinctive UK content and protect the delivery of the core elements of its linear output *to all UK audiences*". The RNIB said that despite Channel 4 claiming to be concentrating on digital outputs there is a lack of access services on its digital offerings, meaning that Channel 4's digital services are not yet ready to fulfil their PSB obligations.[54]

Our response

4.29 In determining our overall approach to the new Channel 4 licence we have taken account of the broader position that C4C finds itself in, the likely changes in audience behaviour over the next licence period and how C4C has articulated its response to this through its current strategies. We put significant weight on the need for C4C to successfully deliver its digital transformation to secure its long-term sustainability and to ensure that it can continue to deliver its remit and media content duties throughout the next licence period for the benefit of UK audiences. Our overall approach in setting the licence is, where appropriate, to give C4C more flexibility to ensure that its content has maximum impact with audiences, particularly the younger audiences that it has a specific requirement to serve.

4.30 We do not agree that allowing C4C more flexibility automatically risks diluting the delivery of Channel 4's remit or encourages it to focus only on driving mass audiences. Our view is that giving C4C appropriate flexibility in terms of its obligations will enable it to deliver distinctive

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[50] VLV response to the December consultation, p. 4.
[51] Pact response to the December consultation, p. 5-6; Screen Scotland response to the December consultation, p. 2; TAC response to the December consultation, p. 1.
[52] Screen Scotland response to the December consultation, p. 2.
[53] ACS response to the December consultation, p. 2.
[54] RNIB response to the December consultation, p. 3.

content that will stand out on streaming services and in linear peak time on Channel 4 in line with its *Fast Forward* strategy. This will ensure that C4C continues to deliver content where audiences are watching and where it best meets their needs. This should in turn help to secure its sustainability over the next licence period. At the same time, we acknowledge the likely continuing significance of linear viewing to Channel 4 in the next licence period, something C4C itself drew attention to in its initial submission made to us in May 2023 setting out its views on the new licence (C4C's 'May 2023 submission') and we have sought to protect the elements of C4C's delivery of its remit on Channel 4 that audiences value the most. We will continue to assess C4C's delivery of its remit and media content duties across all of its services through our annual SMCP Report, and hold it to account where we consider that it is falling short, as we have recently on its delivery for older children and younger adults.[55]

4.31 We agree with the RNIB that a digital-first strategy should maintain accessibility for disabled audiences. As RNIB pointed out, C4C provides significantly more broadcast access services than it is required to do by Ofcom – for example, in 2023, 51.8% of hours on Channel 4 carried audio description for the blind and partially sighted, compared to its quota of 10%. The Media Act will bring in requirements for access services on Channel 4's on-demand services, as well as requirements that a range of connected TV platforms can be used by disabled people. We would always encourage any broadcaster to view these requirements as a minimum, and we note that C4C is already providing audio description (in greater quantities than will be required by the Media Act)[56] on its on-demand service when accessed through certain platforms - for example, in 2023, 39% of programming hours carried audio description when accessed via the Channel 4 website, Roku, or the Android mobile app. In 2023 the Channel 4 on-demand service provided nearly 100% of content with subtitles via most platforms and carried some signed content on every platform.[57]

[55] Ofcom, Channel Four Television Corporation's performance in delivering its remit and content duties in 2021, p. 15; Ofcom, Channel Four Television Corporation's performance in delivering its remit and content duties in 2022, p. 12.
[56] Ofcom, Media Act Roadmap, February 2024, p. 15.
[57] Ofcom, Television and on-demand programme services: Access services report – January to December 2023.

5. Decisions on the licence

News

New licence conditions

C4C shall provide:

- **no less than 208 hours** of news in **peak viewing time** each calendar year on Channel 4; and
- **one news programme** at intervals throughout the period for which Channel 4 is provided, including one programme in the early evening each weekday and on both **Saturday and Sunday**.

Statutory requirement

5.1 Section 279 of the Act requires Ofcom to include conditions in the licences of the public service channels which Ofcom considers appropriate in order to secure: a) that the programmes included in the channel include news programmes and current affairs programmes; b) that the news programmes and current affairs programmes are of high quality and deal with both national and international matters; and c) that such news programmes are broadcast for viewing at intervals throughout the period for which the channel is provided.

5.2 Section 279 also requires that Ofcom sets conditions that we consider appropriate to secure that the time allocated for each of news programming and current affairs programmes is no less than what appears to Ofcom to be an appropriate proportion of time allocated to the broadcasting of all programmes, and that the time for each is split in what appears to Ofcom to be an appropriate manner between peak viewing times and other times.

5.3 In setting conditions in the licence relating to news we must have regard to the PSB purposes set out in section 264 of the Act, in particular:

"that [PSB] services (taken together) provide, to the extent that is appropriate for facilitating civic understanding and fair and well-informed debate on news and current affairs, a comprehensive and authoritative coverage of news and current affairs in, and in the different parts of, the United Kingdom and from around the world".[58]

Summary of the consultation proposals

Retaining no less than 208 hours of news in peak

5.4 In the December consultation we proposed retaining the existing requirement for C4C to provide no less than 208 hours of news in peak time each calendar year on Channel 4. We noted that these provisions had not changed since Ofcom issued its first licence for Channel 4 in 2004. In its May 2023 submission C4C proposed that Ofcom retain the existing quota for hours of news in peak but remove both the lunchtime and weekend requirements.[59]

[58] Section 264(6)(c) of the Act.
[59] C4C's May 2023 submission, p. 18.

5.5 We said that live television news continued to be important for audiences, reaching 70% of UK adults in 2023, and that the PSBs continued to be the cornerstone of television news delivery, collectively reaching 94% of television news audiences in 2023. We said that *Channel 4 News* had a significant role to play in this, reaching 24% of all audiences who used TV for news. We also said that *Channel 4 News* offered something distinctive from other news providers and reached a slightly different audience to the other PSBs' news programmes.[60]

5.6 We said that while social media played an important role in drawing new and younger audiences to Channel 4's news output and was useful in bringing them to the linear bulletins, a majority of audiences, including younger audiences, were still engaging with television news.[61] This led us to conclude that the current provision of linear television news should be retained for the duration of the next licence.[62]

Removing the lunchtime news scheduling requirement

5.7 We said that the *Channel 4 News* lunchtime bulletin, which is only 5 minutes long, did not reach significant audiences and did not form a significant part of Channel 4's news output. We noted that the lunchtime bulletin had seen a drop in its share of viewing since 2015, in contrast to shares of viewing of the other PSB lunchtime news programmes, a fact which was not reflective of the performance of Channel 4's overall news output. We also said that our analysis showed that the lunchtime bulletin may disrupt viewing of Channel 4 across the day, leading to it losing audience share following the bulletin.[63]

5.8 We assessed whether certain audiences might be disproportionately affected by the loss of the lunchtime news bulletin. We found that because habitual audiences to the lunchtime bulletin watched more news elsewhere on Channel 4, and more news in general, than the average viewer, the impact on audiences was not likely to be significant.[64]

5.9 We also said that, if we were to remove this requirement, C4C had said that it would not remove the lunchtime bulletin straight away, rather it wanted the flexibility to be able to remove it at an appropriate point in the next licence period.[65]

Retaining the weekend news scheduling requirements

5.10 In the December consultation we noted that, in contrast to the lunchtime bulletin, the weekend news programmes delivered significant value for audiences, as demonstrated by their reach and share of viewing. They have approximately the same share of viewing as the weeknight programmes (around 4%) and contribute 14% towards Channel 4's overall news viewing.[66]

5.11 We assessed how any change to delivery of the weekend news programmes might impact audiences. We found that, due to the older profile of the weekend news audience, any change in the provision of weekend news may disproportionately impact older audiences who tend to rely on more limited sources of news.[67]

[60] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 34-35.
[61] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 36-37.
[62] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 38.
[63] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 38-39.
[64] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 39.
[65] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 39.
[66] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 40.
[67] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 40-41.

5.12 We also said that if we were to remove the requirement in line with C4C's request, this could result in the loss of news provision on one day at the weekend. We said that we did not think a gap in daily news provision was appropriate for audiences or for the fulfilment of the PSB objectives.[68] We concluded that we thought that it was appropriate to retain the existing requirements to ensure the continued provision of weekend news for audiences on Channel 4.[69]

Summary of responses

Retain no less than 208 hours of news in peak

5.13 There was overwhelming agreement from stakeholders on our proposal to retain no less than 208 hours of news in peak.

5.14 C4C's response supported our proposal to maintain the current quota for news in peak. C4C said that this recognised the contribution that its evening news programmes make to its public service remit. It also noted that, given the fragmentation of the news landscape and the growing threat of misinformation and disinformation, PSBs' provision of trusted news is more important than ever.[70]

5.15 Other stakeholders agreed with our reasoning that while online consumption of news is growing and is increasingly important, particularly for younger viewers, linear news still has the most impact and should be safeguarded.[71] Some stakeholders also agreed with us in highlighting the distinctiveness of Channel 4's news offering.[72]

5.16 Screen Scotland noted that retaining the peak news requirement was particularly important in light of our proposals to remove the lunchtime news scheduling requirement and to reduce Channel 4's current affairs quota (see para 5.33 below).[73]

5.17 In its response to our EIA ITN broadly agreed with our approach to setting a new licence which allows for greater flexibility in how Channel 4's news output is delivered, acknowledging the shifts in audience viewing behaviours which mean that younger audiences in particular are increasingly engaging with news on social media platforms. At the same time, it underlined the resilience of linear news and urged "caution over placing too much emphasis on one type of performance over another".[74]

Remove the lunchtime news scheduling requirement

5.18 In line with its submission in advance of the December consultation, C4C supported removal of lunchtime news bulletins on weekdays to give it added flexibility to make scheduling decisions during the course of the next licence period.[75]

[68] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 40.
[69] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p.41.
[70] C4C response to the December consultation, p. 10.
[71] ACS response to the December consultation, p. 3; Creative Wales response to the December consultation, p. 4-5; ITN response to the December consultation, p. 3; ITN response to the December consultation, p. 3; Name Withheld 2 response to the December consultation, p. 1; Pact response to the December consultation, p. 6; Dr Phil Ramsey response to the December consultation, p. 1-2; Scottish Government response to the December consultation, p. 2; VLV response to the December consultation, p. 5.
[72] ACNI response to the December consultation, p. 3; Dr Phil Ramsey response to the December consultation, p. 2.
[73] Screen Scotland response to the December consultation, p. 3.
[74] ITN response to the December consultation, p. 2.
[75] C4C response to the December consultation, p. 12.

5.19 Stakeholders who responded to this question largely supported our proposals to remove the lunchtime news scheduling requirement.[76] ITN – which makes the lunchtime bulletin for C4C – said that the lunchtime news bulletin offers the newsroom the opportunity to think about developments of the day, but it is not a crucial destination for audiences and the online delivery of content could be considered as a greater priority.[77] Dr Phil Ramsey agreed with our proposal, noting that the fact that the lunchtime bulletin accounts for only 1% of Channel 4's total overall news viewing means that it plays a very limited role in Channel 4's overall news provision.[78] VLV said that the lunchtime bulletin only delivers headlines and does not provide significant value for audiences in comparison with the evening bulletin.[79]

5.20 Ofcom's Advisory Committee for Northern Ireland agreed with our proposals, though it noted that any cost savings made from removal of the bulletin should be put back into the evening news bulletin or into online news provision.[80] TAC also agreed, noting that removal of the bulletin may create new opportunities for further original daytime commissioning.[81]

5.21 However, several stakeholders disagreed with our proposals to remove the lunchtime news requirement, noting that some audiences find it harder to access peak time news; for example, Screen Scotland and Creative Wales highlighted the potential impact removing the bulletin might have on older people and those with shift working patterns.[82] Ofcom's Advisory Committee for Scotland said that there will be small sectors of society that still value the lunchtime bulletin, e.g. those now working from home.[83]

5.22 Ofcom's Advisory Committee for Scotland said that removing the lunchtime bulletin is not in accordance with C4C's overall commitment to provide news, as expressed in its May 2023 submission. Ofcom's Advisory Committee for Scotland also did not believe that schedule disruption is a valid and sufficient reason for removing the lunchtime news bulletin.[84] The Scottish Government said that it would be concerned to see any reduction in Channel 4's current news output, including to the lunchtime bulletin.[85]

Retain the weekend news scheduling requirements

5.23 Stakeholders who responded to this question supported our proposals to retain the requirement for news to be provided on Channel 4 on Saturday and Sunday.

5.24 Ofcom's Advisory Committee for Northern Ireland said that putting weekend news in a fixed slot would encourage viewing.[86] Vernon Barnes stated that Channel 4's weekend news output is distinctive, and strongly opposed any change to the weekend news scheduling requirements.[87]

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[76] Richard Langworthy response to the December consultation, p. 1; Name Withheld 1 response to the December consultation, p. 1; Name Withheld 2 response to the December consultation, p. 1.
[77] ITN response to the December consultation, p. 4-5.
[78] Dr Phil Ramsey response to the December consultation, p. 2.
[79] VLV response to the December consultation, p.6.
[80] Advisory Committee for Northern Ireland response to the December consultation, p. 3.
[81] TAC response to the December consultation, p. 2.
[82] Screen Scotland response to the December consultation, p. 3; Creative Wales response to the December consultation, p. 5.
[83] ACS response to the December consultation, p. 4.
[84] ACS response to the December consultation, p. 3-4.
[85] Scottish Government response to the December consultation, p. 2.
[86] ACNI response to the December consultation, p. 4.
[87] Mr Vernon Barnes response to the December consultation, p.1.

5.25 Although C4C had previously asked for the weekend news scheduling requirement to be removed,[88] in its response to the December consultation it accepted our proposal to retain the requirement on the basis that weekend news remains important particularly for older audiences.[89]

Our response

5.26 We note that stakeholders supported our proposal to retain the existing requirement for no less than 208 hours of news in peak each calendar year, and we continue to consider our proposal remains appropriate. We are of the view that linear news in peak will remain important throughout the next licence period. The current Channel 4 quota of 208 hours of news in peak, together with the requirement to provide a programme in the early evening each weekday, has been effective in securing the provision of an in-depth news television programme on Channel 4 in peak time five nights a week. We consider that the quota will remain effective at delivering this in the new licence period. The Jigsaw research we commissioned as part of the relicensing process found that Channel 4 News retained a distinct identity among its audiences. Audiences felt it provided unbiased, trustworthy news and was willing to challenge establishment thinking. The distinctive character of Channel 4 News, both in its format and editorial approach, continues to complement the delivery of news by other PSBs, to secure the collective fulfilment of the PSB purposes.

5.27 We recognise that for some people – particularly those with non-standard working hours – the lunchtime bulletin may be useful. However, given that our analysis showed that habitual viewers of the lunchtime bulletin watch more news elsewhere on Channel 4, and more news in general, than the average viewer, we consider these audiences to be well-served by news from other sources. C4C's continuing investment in news provision on social media will also help to offset the impact on people who cannot access the evening news programme. Audiences to the lunchtime news slot are younger than those to the evening programme and therefore we do not consider that older viewers – who are less likely to use other sources, in particular social media, for news – are likely to lose out if the lunchtime bulletin is not provided.

5.28 Respondents shared our view that, unlike the lunchtime bulletin, the weekend news programmes deliver significant value for audiences, being much more substantial and detailed, and as demonstrated by their significant reach and share of viewing. Therefore, we remain of the view that Channel 4 should continue to provide news every day including on both Saturday and Sunday.

Our decision

5.29 We have decided to proceed with our proposals to retain the requirement for no less 208 hours of news in peak time each calendar year, to remove the lunchtime news scheduling requirement and to retain the weekend news scheduling requirement.

[88] C4C's May 2023 submission, p. 18.
[89] C4C response to the December consultation, p. 12.

Current affairs

New licence conditions

C4C shall provide:

- **no less than 80 hours** of current affairs in **peak viewing time** each calendar year on Channel 4; and
- **no less than 178 hours** of current affairs in each calendar year on Channel 4.

Statutory requirement

5.30 Section 279 of the Act requires Ofcom to include conditions in the licences of the public service channels that Ofcom considers appropriate for securing the following: a) that the programmes included in the channel include news programmes and current affairs programmes; and b) that news programmes and current affairs programmes included in the service are of high quality and deal with both national and international matters.

5.31 Section 279 also requires that Ofcom sets conditions we consider appropriate to secure that the time allocated for each of news programming and current affairs programmes is no less than what appears to Ofcom to be an appropriate proportion of time allocated to the broadcasting of all programmes, and that the time for each is split in what appears to Ofcom to be an appropriate manner between peak viewing times and other times.

5.32 In setting conditions in the licence relating to current affairs we must also have regard to the PSB purposes set out in section 264 of the Act, in particular: “that [PSB] services (taken together) provide, to the extent that is appropriate for facilitating civic understanding and fair and well-informed debate on news and current affairs, a comprehensive and authoritative coverage of news and current affairs in, and in the different parts of, the United Kingdom and from around the world”.[90]

Summary of the consultation proposals

Reduce the ‘all hours’ quota to not less than 178 hours

5.33 In the December consultation we proposed to reduce the requirement for current affairs content from the current 208 hours to 178 hours in each calendar year. This was in line with C4C’s request.[91] We argued that this reduction was appropriate to support C4C’s digital strategy and its delivery of its media content duties to make “relevant media content that appeals to the tastes and interests of older children and young adults” and that “consists of news and current affairs”. We also argued that retention of a requirement for 178 hours of linear current affairs would continue to protect high-quality linear current affairs content.[92]

5.34 We acknowledged that given its operating model, it was unlikely that C4C would be able to invest significant additional budget into digital current affairs over the course of the next licence period, and that the proportion allocated to current affairs from its total budget was unlikely to change significantly. Given that, we said that we considered that it was appropriate for us to reduce the overall current affairs quota to give C4C additional flexibility to commission and deliver current affairs content on platforms that younger audiences are

[90] Section 264(6)(c) of the Communications Act 2003.
[91] C4C’s Response to Ofcom’s Further Questions on Licence Renewal, July 2023, p. 3.
[92] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 45.

most likely to be watching.[93] C4C told us that the success of its *Untold* strand suggested that it could reach them through quality digital-first current affairs content distributed via Channel 4 Streaming, YouTube and other social media platforms. It said that this reduction would allow it to reinvest in digital commissioning and estimated that it could allow it to "triple its output of *Untold* episodes from around 20 episodes a year up to around 60".[94]

5.35 We said that over the course of the next licence period Channel 4 should aim to increase the quantity of digital-first current affairs content that it delivers, to ensure that it continues to reach younger audiences with high quality investigative journalism while continuing to increase streaming views.[95]

5.36 We noted that C4C had said that it was still committed to delivering linear current affairs, particularly through its flagship current affairs strands *Dispatches* and *Unreported World*. We recognised that, to invest more in digital-first current affairs, C4C would need to rebalance its budget across its current affairs formats, which could lead to a reduction in 'consumer focussed' current affairs on Channel 4.[96]

5.37 We said that we did not consider that a change to the quota would have an immediate impact on the make-up of C4C's current affairs output as C4C had consistently overdelivered on its quota during this licence period.[97] We noted that C4C had said that any re-allocation of current affairs spending would be an incremental change, with investment gradually shifting into more digital-first content as linear viewing continues to steadily decline over the licence period.[98] As such, we said that we thought that there would be a limited impact on the volume of current affairs for its linear audiences at the outset of the new licence and it would be more likely to have noticeable effects after 2030.[99]

5.38 C4C committed to providing us with information about the number of digital-only current affairs titles that it delivers on an annual basis.[100] We said in the consultation that we would use our annual SMCP Report to monitor and assess C4C's delivery of current affairs across its range of services.[101]

Retain the peak time quota

5.39 We set out that peak time viewing remains important and has the greatest reach. We expect this to continue even as linear viewing declines over the licence period. As such we think it is important that a significant proportion of the current affairs C4C broadcast on linear should remain in peak time, to ensure it continues to have the greatest impact.[102]

Summary of responses

5.40 In line with its May 2023 submission to us, C4C supported our proposal to reduce the 'all hours' current affairs quota to support additional investment in digital-first current affairs

[93] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 45.
[94] C4C's Response to Ofcom's Further Questions on Licence Renewal, July 2023, p. 6-7.
[95] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 44.
[96] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 45.
[97] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 45.
[98] C4C's Response to Ofcom's Further Questions on Licence Renewal, July 2023, p. 7.
[99] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 45.
[100] C4C's Response to Ofcom's Further Questions on Licence Renewal, July 2023, p. 7.
[101] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 46.
[102] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 46.

content, which it said will increase the impact of its current affairs delivery for younger audiences.[103]

5.41 Pact agreed with us on the importance of current affairs to C4C fulfilling its PSB remit and the need to transition to a digital-first model but noted that this should be done in a way that ensures the current supply base is not disadvantaged. Pact also said that "[Ofcom should] ensure that tariffs and rights positions are at a level that allow a project to be financially viable for a production company". It said that the Media Act would allow these programmes to count towards its quota, which would help to mitigate some of the issues that we raised in the consultation.[104] Similarly, Directors UK was concerned that making some current affairs content digital-first or online-only would result in reduced budgets and would negatively affect factual directors.[105]

5.42 ITN – which makes *Unreported World* for Channel 4 – agreed with our proposal but said a key consideration was "whether funding would continue to be at least maintained at the same level even if quotas are reduced and whether quotas will be needed for online delivery".[106] ITN also noted that *Unreported World* is developing a strong digital following. It said that the digital performance of *Unreported World* and its reputational impact is an example of why careful thought should be given to the impact on existing brands when allowing quotas to be reduced for more content to be delivered online. Similarly, Ofcom's Advisory Committee for Northern Ireland said that it "would like to know what guarantees have been given that these saved funds will be used for this purpose and how impact and benefit will be monitored."[107]

5.43 VLV said that it supported our proposal, noting C4C's increased investment in digital current affairs content and the success of its digital strategy.[108]

5.44 However, a number of stakeholders disagreed with our proposal to reduce the 'all hours' current affairs quota. Some stakeholders felt that if Channel 4's current affairs quota was reduced, overall provision would be weakened because the reduction in hours would be unlikely to be taken up by other PSBs.[109] For example, Screen Scotland stated that together the PSBs should, as set out in the Act "facilitate to an appropriate extent civic understanding and fair and well-informed debate on news and current affairs".[110] Similarly, the Scottish Government stated that "Channel 4's plans to boost outputs on digital to reach wider audiences and amplify those unheard voices […] should not be at the cost of limiting the current output across linear, which ultimately reduces the amount of current affairs content across the wider PSB ecosystem".[111]

5.45 Dr Phil Ramsey felt that the changes that we proposed could end up having the effect of weakening the rationale for PSB provision more generally, stating that scaling provision back on linear would be a regressive step. Dr Ramsey said this could lead to a "*fait accompli*

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[103] C4C response to the December consultation, p. 14.
[104] Pact response to the December consultation, p. 6.
[105] Directors UK response to the December consultation, p. 5.
[106] ITN response to the December consultation, p. 5.
[107] ACNI response to the December consultation, p. 4.
[108] VLV response to the December consultation, p. 5-6.
[109] ACS response to the December consultation, p. 4; Dr Phil Ramsey response to the December consultation, p.2-3; Screen Scotland response to the December consultation, p. 3-4; Scottish Government response to the December consultation, p. 2.
[110] Section 264(6) of the Act.
[111] Scottish Government response to the December consultation, p. 2.

position emerging vis-à-vis broadcast provision" whereby if the PSBs begin to lose what makes them distinctive in terms of broadcast provision, in this case current affairs content, the argument and the rationale for PSB are weakened regardless of what improvements or expansions are made online.[112]

5.46 Screen Scotland questioned whether Channel 4's current affairs quota needed to be scaled back in order for it to survive.[113]

5.47 Some stakeholders also said there was a possibility that 'commercially challenging genres' such as current affairs would be moved on to digital services that not everyone has access to or uses – with negative impacts for audiences.[114] Other stakeholders who disagreed with our proposal highlighted that older audiences, who are less likely to use digital services, would be particularly affected by this change.[115]

Retain the peak time current affairs quota at 80 hours

5.48 Stakeholders including C4C agreed overwhelmingly with our proposal to retain the peak time current affairs quota at 80 hours.[116]

Our response

5.49 As we set out at 4.19, our overall approach in setting the licence is, where appropriate, to give C4C more flexibility to ensure that its content has maximum impact with audiences, particularly the younger audiences that it has a specific requirement to serve.[117] C4C intends to deliver more of its current affairs content online, in line with its strategy to drive growth to Channel 4 Streaming. We support this strategy which responds to our finding in previous SMCP Reports that C4C needs to invest more in high quality content for older children and young adults, and to develop a clear strategy for serving these audiences.[118]

5.50 We continue to think that it is appropriate to reduce the 'all hours' linear current affairs quota to enable C4C to make the investments needed to reach younger audiences with appealing current affairs content made for the platforms they habitually use. C4C has said that increasing the amount of digital first-current affairs that it produces beyond current levels would require it to reallocate its existing current affairs budget, spending a proportion of its budget for linear current affairs (primarily of that allocated to consumer-interest current affairs programmes) on digital commissions.[119]

5.51 C4C has already been increasing its investment in digital-first current affairs content, primarily currently via its new *Untold* strand of investigative journalism, which is intended to strengthen its range of programmes that reflect the lives and interests of younger viewers.

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[112] Dr Phil Ramsey response to the December consultation, p.2-3.
[113] Screen Scotland response to the December consultation, p. 3.
[114] Directors UK response to the December consultation, p. 5; Screen Scotland response to the December consultation, p. 2.
[115] Creative Wales response to the December consultation, p. 5; Directors UK response to the December consultation, p. 5.
[116] C4C response to the December consultation, p. 14.
[117] C4C has a duty under section 198A(2) of the Act to make "relevant media content that appeals to the tastes and interests of older children and young adults".
[118] Ofcom, Channel Four Television Corporation's performance in delivering its remit and content duties in 2021, p. 15; Ofcom, Channel Four Television Corporation's performance in delivering its remit and content duties in 2022, p. 12.
[119] C4C's Response to Ofcom's Further Questions on Licence Renewal, July 2023, p. 6-7.

In its [2022 Corporation Report and Financial Statement](#) ('Annual Report') C4C said that *Untold* has shown that younger viewers engage with serious topics when they are approached through stories that speak to their own experience and with a tone of voice and talent that they find relatable. It reported that the episodes of *Untold* had a total of 1.6m views in 2022, with 45% of these being from 16-34s.[120] In its [2023 Annual Report](#), C4C reported that *Untold*'s two seasons in 2023 achieved 2.2 million global views on YouTube across 14 episodes. On Channel 4 Streaming, *Untold* achieved 3.8 million views, of which 39% came from 16-34-year-olds.[121] Giving C4C the flexibility to increase its investment in digital-first current affairs will give this content greater reach and impact with the younger audiences that it has an obligation to serve under its media content duty to make "relevant media content that appeals to the tastes and interests of older children and young adults" and that "consists of news and current affairs".[122]

5.52 We do not agree with the view advanced by some stakeholders[123] that reducing the quota will weaken the overall provision of current affairs. We agree with C4C's assessment that it is increasingly unlikely that younger audiences will watch current affairs content on broadcast TV channels, but the current success of its youth-focused current affairs strand *Untold* suggests that it may be able reach them through quality digital-first current affairs content distributed via Channel 4 Streaming, YouTube and other social media platforms.[124] Given C4C's plans to invest more in its digital first content, we do not consider that reducing the requirement for linear current affairs will weaken the provision of current affairs content across the PSB ecology as a whole.

5.53 Nor, given C4C's plans to invest more in digital first current affairs by rebalancing its spend on current affairs away from consumer-focused linear current affairs,[125] do we think that the proposed changes will negatively impact fulfilment of the PSBs' objective to provide "comprehensive and authoritative coverage of news and current affairs in, and in the different parts of, the United Kingdom and from around the world". What C4C describes as 'consumer focused' current affairs programming does not tend to perform well with on-demand audiences. C4C has told us that 98% of viewing of, for example, [✂] in 2022 was on linear (with only 2% streamed). This type of current affairs content is also less likely to appeal to younger audiences; only 8% of the audience to [✂] is aged 16-34, while 10% of the audience for [✂] is in that age group.[126] C4C has said that it intends to retain investment in its major investigative linear current affairs strands such as *Dispatches*.

5.54 We agree with Screen Scotland that a reduction to the 'all hours' quota is unlikely to make any material difference to C4C's viability. However, that is not the purpose of the change. Our intention is to enable C4C to invest in digital-first or online-only current affairs, in response to changing audience habits and developments in the wider advertising market that make expanding streaming growth a priority.

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[120] Channel Four Television Corporation Report and Financial Statements 2022, p. 64
[121] Channel 4 Television Corporation Annual Report and Financial Statements 2023, p.62.
[122] Section 198A(2) of the Act.
[123] E.g. Screen Scotland response to the December consultation, p. 3-4; ACS response to the December consultation, p. 4; Scottish Government response to the December consultation, p. 2; Dr Phil Ramsey response to the December consultation, p. 2-3.
[124] C4C's Response to Ofcom's Further Questions on Licence Renewal, July 2023, p. 7.
[125] C4C's Response to Ofcom's Further Questions on Licence Renewal, July 2023, p. 6-7.
[126] Barb, 28 day consolidated, via TV sets only. Includes Channel 4 +1. New episodes only.

5.55 We understand some stakeholders' concerns about certain genres or types of content being made 'digital-first' or 'online-only' and the effect this might have on audiences. As identified by Creative Wales[127] and Directors UK[128] there could be a risk that older audiences who are less likely to watch on demand could lose out if C4C gradually makes elements of its current affairs coverage digital-first or online-only. However, we think that this risk is mitigated by our retention of a minimum requirement for current affairs content on Channel 4. We also do not consider that reducing the quota is likely to have an immediate impact on the make-up of C4C's current affairs output. C4C has consistently overdelivered on its quota during this licence period, most recently in 2023 by 51 hours. C4C recognised that this already provides it with some headroom to shift delivery from linear to digital.[129]

5.56 We proposed a reduction of 30 hours per year, from 208 to 178 hours, on the basis of C4C's estimate that making a reduction of this scale could allow it to triple its output of *Untold* episodes from around 20 episodes a year up to around 60.[130] We modelled the impacts of reducing this quota and continue to agree with C4C's broad estimates of savings that this reduction would generate. In the consultation we said that we recognised there is a limited amount that C4C can reasonably invest in current affairs and that we did not expect this to increase over the licence period.[131] Setting the condition at 178 hours strikes an appropriate balance between retaining a substantial volume of linear current affairs whilst enabling C4C to continue to invest in digital-first or online-only current affairs.

5.57 C4C has committed to providing Ofcom with information about the number of digital-only current affairs titles that it delivers on an annual basis. We will use our annual SMCP Reports to hold C4C to account for its current affairs provision across platforms, particularly for the younger audiences that it is targeting with content distributed on online or on social media platforms. This will be important for growing the Channel 4 brand sustainably for the next generation of audiences who, as our research shows, have a significantly weaker connection with the Channel 4 brand, and with public service broadcasting in general.

5.58 With regard to Pact and Directors UK's comments about tariffs for digital-first or online-only content, our focus in setting the quota is to secure the aims and objectives set out in paragraphs 5.30-5.32. However, we consider the concerns will be mitigated by the fact that we are requiring at least 178 hours of linear current affairs which will be subject to existing linear tariffs. We disagree with Pact's view that the Media Act will address the issues that we put forward about the constraints on C4C's budget because, unlike some of the other PSB quotas (original productions, regional production and independent production), PSBs will not be able to deliver their current affairs quotas via their streaming services.

5.59 We accept the nuanced point that ITN have made about the reputational impact on existing Channel 4 programmes and brands should digital-first or online-only provision be expanded, and this is something to which C4C should give careful consideration.

5.60 Stakeholders who responded to this question agreed with our proposal to retain the peak time quota at 80 hours. In retaining the peak quota at 80 hours, we acknowledge that it is important that a significant proportion of the current affairs programming C4C broadcasts on linear should remain in peak time to ensure it has the greatest impact with audiences.

[127] Creative Wales response to the December consultation, p. 5.
[128] Directors UK response to the December consultation, p. 5.
[129] C4C further thinking on current affairs position, September 2023, p. 1.
[130] C4C's Response to Ofcom's Further Questions on Licence Renewal, July 2023, p. 7.
[131] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 44.

Retaining this requirement will ensure that C4C remains committed to delivering high quality current affairs and investigative journalism with flagship peak-time current affairs programmes while also growing the impact of its digital current affairs.

Our decision

5.61 We have decided to proceed with our proposals to reduce the 'all hours' current affairs quota to 178 hours, and to retain the peak time quota of 80 hours.

Original productions

New licence conditions

- At least **70% of the hours** of programmes included in Channel 4 in **peak viewing time** each calendar year should be originally produced or commissioned for the service.
- At least **45% of the hours** of programmes included in Channel 4 each calendar year should be originally produced or commissioned for the service.

Summary of the consultation proposals and reasoning

Statutory requirement

5.62 The Channel 4 licence contains provision for the broadcast of 'original productions'. Original productions are those commissioned by or for a public service channel such as Channel 4, with a view to their first showing on television in the UK being on that channel.

5.63 Section 278 of the Act requires Ofcom to include conditions in the licences of the public service channels that it considers appropriate for securing:

"(a) that the time allocated, in each year, to the broadcasting of original productions included in that channel is no less than what appears to them to be an appropriate proportion of the total amount of time allocated to the broadcasting of all the programmes included in the channel; and

(b) that the time allocated to the broadcasting of original productions is split in what appears to them to be an appropriate manner between peak viewing times and other times."

5.64 The objective of this quota is to ensure that the channel is consistently of a high quality.[132] As with other PSBs, C4C can use repeats of its content to fulfil this quota, meaning that the quota does not guarantee the commissioning of first-run original productions for Channel 4.

Setting the 'all hours' quota at 45%

5.65 We consulted on a proposal to require at least 45% of the hours of programmes included in Channel 4 each calendar year to be originally produced or commissioned for the service, a reduction to the current requirement of 56%.

5.66 We set out our view that to deliver its remit and media content duties successfully in the future, C4C would need to provide high quality original content across a breadth of genres that work well in an on-demand context. We said that to attract younger audiences to its

[132] Section 278(2) of the Act.

streaming platform, away from SVoDs, it may be necessary for C4C to align its streaming offering more closely with the expectations of this audience by providing them with more high-impact and scripted new programming exclusive to Channel 4 Streaming.[133]

5.67 We also recognised that original productions are core to Channel 4's PSB delivery and are important for audiences, and noted that we believed that C4C remained committed to investment in a broad range of UK-originated content.[134]

5.68 In the December consultation we said that in order to be able to invest significantly in new high-impact content that works on its streaming service, C4C would likely need to reduce content spend elsewhere, specifically in daytime original content. We modelled the impact of C4C's possible commissioning strategy, as provided to us in its submission and we agreed with C4C's broad estimates of the funds it could invest into high-impact content, should it make these changes.[135] Given the relatively small daytime audience and the performance of repeats, we said that we did not consider that reducing the amount of original productions in daytime would have a significant negative impact on audiences.[136]

5.69 We noted that original productions in the daytime schedule on Channel 4 are predominantly lower-tariff productions, which tend to have lower engagement, especially on BVoD. We cited evidence from Barb data showing that higher-tariff commissions in peak are most successful at driving higher engagement on Channel 4 Streaming.[137] We said that we considered that it was appropriate for C4C to prioritise investment in such high impact content ahead of maintaining the same level of original productions within its daytime schedule, where lower-value original productions have less impact.[138]

5.70 We said that the relicensing process offered Ofcom an opportunity to support C4C's digital strategy by reducing the overall Channel 4 original productions quota in the next licence period.[139] We considered the appropriateness of different quota levels: 40%, 45% and 50%. We set out our view that a 50% quota would risk not delivering the benefits of flexibility to rebalance spend on higher impact content and to achieve the balance between repeats and acquisitions that works best for Channel 4's daytime audience. At the same time, we considered that the largest reduction to the quota proposed by C4C, 40%, could risk the quality of the service and start to impact the character and distinctiveness of the channel. On balance, therefore, we concluded that reducing the quota to C4C's upper bound of 45% would be appropriate.[140]

Retaining 70% of original production in peak time

5.71 We proposed retaining the requirement for at least 70% of the hours of programmes in peak viewing time to be originally produced or commissioned for the service. We said that our proposed reduction of the overall original productions quota acknowledged that C4C needed to focus its content spend on the genres and types of content that have the greatest impact across both peak time and its streaming service.[141] We said our view remained that, in the

[133] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 54.
[134] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 48-50.
[135] C4C's Response to Ofcom's Further Questions on Licence Renewal, July 2023, p. 10.
[136] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 51-52.
[137] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 51.
[138] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 54.
[139] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 54.
[140] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 55.
[141] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 55.

linear context, peak time is where Channel 4's original productions will have the biggest impact and most engagement with its audiences throughout the next licence period. We said we thought that the current 70% quota for peak time remained appropriate to ensure that Channel 4 retained its distinctive identity and character.[142]

Summary of consultation responses

Setting the 'all hours' quota at 45%

5.72 C4C supported our proposal to reduce its overall original productions quota in order to support a shift to a digital-first commissioning strategy.[143] Its response cited its *Fast Forward* strategy (published following the consultation) which prioritises growing C4C's digital viewing and revenues in order that it can sustainably deliver its public service remit in the long-term.[144] C4C said that under *Fast Forward*, it is accelerating its move to a digital-first commissioning strategy with a significant shift in investment to types of programmes that drive streaming growth – like drama, high-end documentaries, comedy and reality. It said that its focus will be on commissioning fewer, stronger titles that enable it to have a greater impact in delivering its public service remit.[145]

5.73 C4C's response noted its view that the environment in which it operates was likely to remain highly uncertain throughout the next licence period and it will have to prioritise the types of content that it invests in.[146]

5.74 C4C supported our proposal to reduce the 'all hours' quota to 45%, considering that this reduction would give it meaningful additional headroom to adjust its commissioning strategy throughout the next ten years to enable it to deliver against its strategic objectives and to help its streaming service to become even more attractive as a viewing destination for audiences who have "left linear behind".[147] It said it anticipated that this approach should have a relatively limited impact on its daytime audiences.[148]

5.75 C4C also acknowledged that this change to its commissioning strategy would have an impact on producers but said in practice it would take effect over a number of years, allowing time for the sector to adjust. It said that it anticipated that the next licence period would bring new opportunities for producers of all sizes, including start-ups, to secure digital-first commissions as part of C4C's increasing focus on growing its audiences across digital platforms.[149]

5.76 Other respondents supporting the proposal included the VLV, which said in light of the decline in linear audiences and C4C's strategy to prioritise higher cost content in peak time which drives VoD viewing after the initial linear broadcast, that it agreed with the proposal to reduce the 'all hours' quota for original productions to 45%.[150] VLV also said that it considered that C4C's most distinctive output is that which is broadcast in peak time and therefore it was sensible for C4C to focus investment on that content when other PSBs

[142] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 56.
[143] C4C response to the December consultation, p. 19.
[144] C4C response to the December consultation, p. 17.
[145] C4C response to the December consultation, p. 17.
[146] C4C response to the December consultation, p. 18.
[147] C4C response to the December consultation, p. 19.
[148] C4C response to the December consultation, p. 19.
[149] C4C response to the December consultation, p. 19.
[150] VLV response to the December consultation, p. 9.

provide a range of original content which is popular in daytime. It also noted Channel 4's relatively small daytime audience, and data which suggested that repeats of original productions can lead to audience fatigue more quickly than acquisitions.[151]

5.77 Ofcom's Advisory Committee for Northern Ireland also agreed with the proposal on the basis that it would free-up resources to invest in Channel 4's 'digital-first' strategy. It cited conclusions from the Jigsaw research indicating that those aged under 30 were seeing a reduction in Channel 4's previous distinctive 'edgy' unique selling point and that in the eyes of the audience it was becoming more main-stream and populist. The Committee said that the only credible way for Channel 4 to sustain its long-term future while maintaining its public purpose was for it to have original, quality and distinctive programming.[152] Pact also agreed with our proposals but noted that it thought that a mitigation strategy should be in place for what it saw as the potential impact on the creative economy.[153]

5.78 Other stakeholders disagreed with our proposal. Screen Scotland said that a reduction to 45% of all hours would have a significant impact on the delivery of C4C's remit and duties to innovate and take creative risks, to make a broad range of high-quality content that appeals to the tastes and interests of a culturally diverse society, to support the development of people with creative talent and to promote alternative views and new perspectives.[154] This view was also reflected in the Scottish Government's response.[155]

5.79 Other stakeholders disagreed with our view that C4C needed additional flexibility in its linear requirements to enable it to deliver on its digital strategy. TAC's view was that our proposed reduction of the 'all hours' quota was disproportionate to what it saw as the scale of the issue and it said that linear viewing had held up more strongly to date than some had forecast in the past.[156] Dr Phil Ramsey said that our view that reducing the amount of original productions in daytime was unlikely to have a significant negative impact on audiences seemed to be accepting of a position of decline for PSB, rather than trying to find alternative ways to solve the underlying issues – which primarily stem from funding.[157] Screen Scotland also said that its view was that the evidence that we had provided to date did not justify such a "significant, instant, and permanent reduction".[158] The Scottish Government[159] said that C4C's digital strategy should not mean that linear audiences lose out, whilst VLV[160] and Directors UK[161] both said that digital-first originations and high impact content should be made available to linear audiences too.

5.80 Some stakeholders told us that the proposed change to the all-hours condition could negatively impact the production workforce, particularly in parts of the UK where there are concentrations of producers working in lower-tariff genres, and that this could pose a threat to C4C's mission to support creative talent.[162] Directors UK was opposed to our proposal on

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[151] VLV response to the December consultation, p. 8.
[152] ACNI response to the December consultation, p. 4.
[153] Pact response to the December consultation, p. 7.
[154] Screen Scotland response to the December consultation, p. 4.
[155] Scottish Government response to the December consultation, p. 3.
[156] TAC response to the December consultation, p. 2.
[157] Dr Phil Ramsey response to the December consultation, p. 3.
[158] Screen Scotland response to the December consultation, p. 4.
[159] Scottish Government response to the December consultation, p. 3.
[160] VLV response to the December consultation, p. 7-8.
[161] Directors UK response to the December consultation, p. 2.
[162] Directors UK response to the December consultation, p. 6; Directors UK response to the December consultation, p. 6; Screen Scotland response to the December consultation, p. 4.

the basis that it considered that there would be a negative impact on the film and TV workforce. It acknowledged that some of its members might benefit from the changes in Channel 4's commissioning strategy, but concluded on balance that these cuts were likely to exacerbate what it saw as the current employment crisis for the UK's film and television production workforce, which includes directors. It was concerned that directors would be impacted by C4C's proposal to increase the amount of acquisitions in the daytime schedule.[163] Pact also noted that ensuring that the supply base is supported in meeting a demand for different genres was important as C4C seeks to invest more in high-impact, high-tariff content that draws audiences to Channel 4 Streaming. It said that it was disappointed that Ofcom had not set out a more thorough interrogation of the risks of this strategy with regard to the creative economy.[164] Screen Scotland was particularly concerned about the impact of the proposals on Scottish production.[165]

5.81 Some other stakeholders argued that our proposed 'all hours' quota of 45% was too low and suggested other levels. TAC recommended that we retain the quota at 56% but review it in 5 years' time. It also said that if Ofcom were to lower the quota it should certainly not be lower than 50%.[166] Creative Wales said that it did not agree with reducing Channel 4's original production requirement to 45%. Instead, it suggested what it saw as a more moderate reduction to 50% in order to balance flexibility and audience retention.[167]

Retaining 70% of original production in peak time

5.82 Our proposal to retain the 70% quota in peak time was met with agreement from everyone who responded to this question. This included C4C which said that whilst in general it was of the view that requirements tied to the linear schedule were likely to appear anachronistic by the end of the next licence period, the 70% peak time quota was consistent with its digital-first strategy. It said the peak quota functions as a guarantee that audiences in peak will continue to receive a very high proportion of content that is made in, and representative of, the UK. It therefore supported our proposal to maintain the 70% quota for original production hours during peak.[168]

Our response

Setting the 'all hours' quota at 45%

5.83 We acknowledge that Channel 4 delivers its remit primarily through the original content that it commissions and invests in and that the overall objective of this quota is to ensure that the channel is consistently of a high quality. We therefore agree with the points made by Screen Scotland and the Scottish Government about the importance of Channel 4 being genuinely distinctive, and the importance that UK originated content plays in securing this. Our aim in setting the new licence, including the original productions quotas, is to support C4C's continued delivery of its remit and media content duties over the course of the next licence period.

5.84 To attract younger audiences to Channel 4's content it may be necessary for C4C to align its streaming offering more closely with the expectations of this audience by providing them

[163] Directors UK response to the December consultation, p. 6.
[164] Pact response to the December consultation, p. 7.
[165] Screen Scotland response to the December consultation, p. 4.
[166] TAC response to the December consultation, p. 2.
[167] Creative Wales response to the December consultation, p. 3.
[168] C4C response to the December consultation, p. 19.

with more high-impact and scripted new programming exclusive to Channel 4 Streaming. As such, we remain of the view that to deliver its digital strategy successfully, and thereby to secure the continued delivery of its remit and media content duties, C4C will need to invest significantly in new high-impact content that works on its streaming service as well as in peak time on linear, which will remain important throughout the next licence period. As a result, it will likely need to also reduce its content spend outside of peak – i.e. spend on daytime original content.

5.85 We consider that it is appropriate for C4C to prioritise investment in such high impact content ahead of maintaining the same level of original productions within its daytime schedule, where lower tariff original productions have less impact with audiences.

5.86 Currently, Channel 4 has a relatively small share of daytime audiences at 4.7%, down 0.6% over the last licence period, while other main PSB services have gained audiences.[169] As we set out in the December consultation, the 10:00am–11:59am day part – the period of the daytime schedule where Channel 4 largely shows repeats as opposed to acquisitions – is the worst performing of all day parts. Between 2014 and 2022 that day part lost share of viewing, from 3.4% to 2.7%. However, the 09:00–09:59 day part, when Channel 4 shows US acquisitions, retained its 4% share between 2014 and 2022.[170]

5.87 Given Channel 4's relatively small daytime audience and the lower share performance of its repeats of original content, we remain of the view that it is unlikely that reducing the 'all hours' original productions quota will have a significant negative impact on audiences. Nor do we think that it will have a significant negative impact on the delivery of the Channel 4 remit and C4C's wider media content duties, given the original productions that Channel 4 broadcasts in daytime are mostly light entertainment and low-tariff lifestyle programming. These genres do not necessarily contribute significantly to its remit to provide a broad range of high quality and diverse programming that demonstrates innovation, experimentation and creativity, although we continue to acknowledge that they may have a positive impact on production outside London.

5.88 In changing this condition, we are aiming to find an appropriate balance between supporting C4C's digital strategy and ensuring that the daytime schedule still retains a proportion of originated UK content and provides value for the audiences that are watching it.

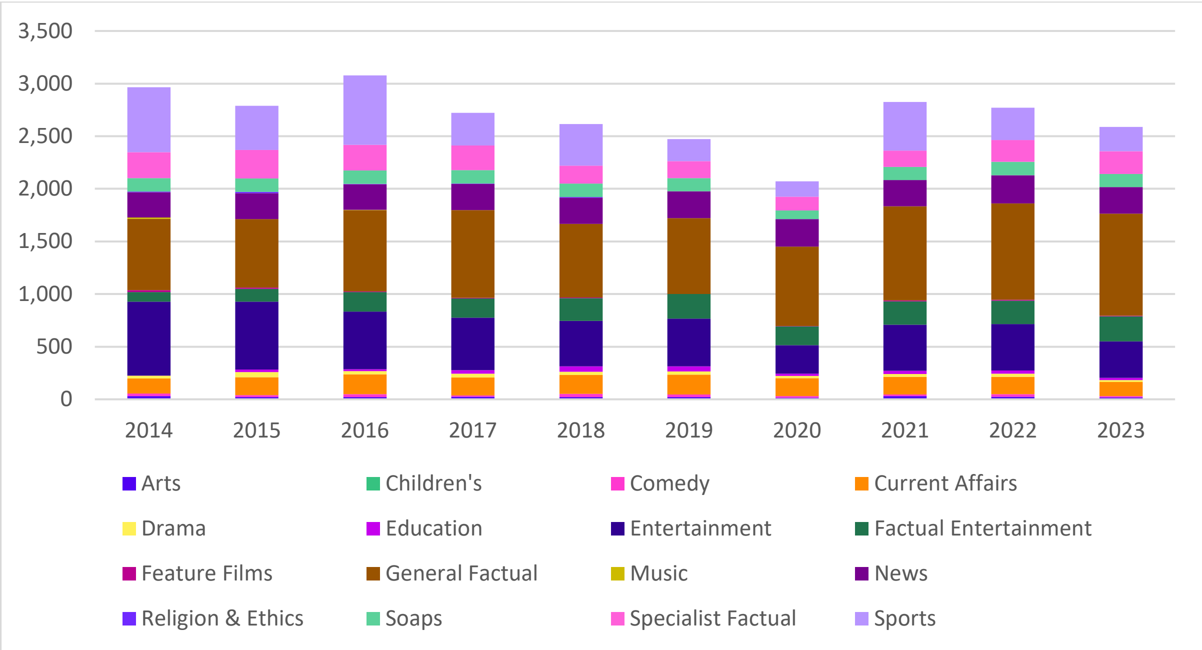
5.89 Over the next licence period, we consider that it is highly likely that the viewing trends underpinning C4C's digital strategy will continue to intensify. In its May 2023 submission to us C4C said that it expected that whilst total long-form viewing minutes would remain largely constant in the next licence period, linear viewing would continue to decline, and this decline will be mitigated by higher viewing to BVoD.[171] As we set out in the December consultation, although we do not expect linear viewing to disappear over the next licence period, its importance is likely to decrease as more audiences use streaming platforms and social media to access content. We remain of the view that the rapid year-on-year changes

[169] Over the last licence period Channel 4 has seen a loss of 0.6pp in its share of viewing during weekday daytime. Channel 5 was the only other PSB service which experienced a drop, of 0.3pp. ITV1 gained 3.1pp, BBC One 1.8pp and BBC Two 1.2pp. This compares with a gain in share of viewing on Channel 4 from 6.1% to 6.5% for evening viewing, and a gain from 7.5% to 7.9% for viewing between 21:00-22:59, which is where C4C focuses much of its high impact original production. Source: Barb, 28-day consolidated, via TV sets only, includes +1 channels. Individuals 4+, weekday 0900-1759, all week 1800-2229 and all week 2100-2259.
[170] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 54.
[171] C4C's May 2023 submission, p. 6.

in viewing over the current licence period support C4C's view that by the end of the next licence period most audiences will be fully accustomed to watching content on-demand whenever they choose to do so.[172]

5.90 We note the concerns raised, particularly by Directors UK and Pact, about the potential implications of our proposals for the production sector. We also acknowledge the point made by Screen Scotland and Directors UK about the potential for specific impacts of a reduction of daytime commissioning. The original productions quota is not a 'first run' content quota and therefore does not directly secure an amount of new commissioning on Channel 4 (or any other PSB channel) as C4C can use repeats of its content to fulfil this quota. To that extent, we accept Directors UK's point that ongoing payments to its members for transmissions of repeats could be impacted by a reduction of repeats in favour of acquisitions. However, whilst our proposed change to the condition would give C4C the ability to rebalance the proportion of originations and acquisitions outside of peak viewing time, it will not directly change the amount of new commissioned content on Channel 4. As we set out in the December consultation, Channel 4 has delivered a relatively steady volume of first-run original productions since 2014, across a broad range of genres as illustrated by figure 1 below.[173]

Figure 1: Hours of first-run UK-originated programmes on Channel 4, by genre: 2014-2023



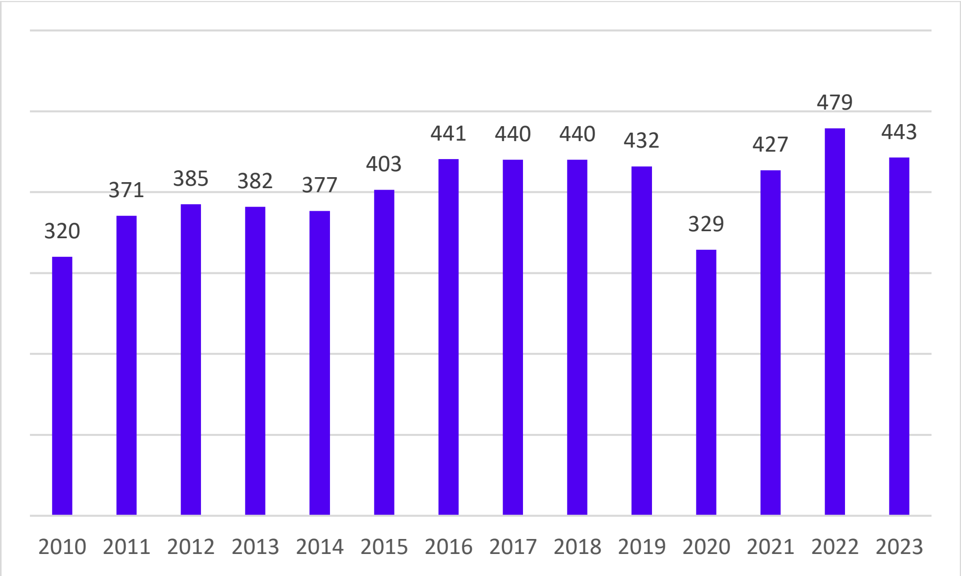
Source: Ofcom/C4C

5.91 As well as maintaining a broadly consistent number of hours of original productions, even though there was a reduction in the original productions quota in 2010 from 60% to 56%, C4C has increased its spend on first run originations significantly since then (figure 2 below). In its May 2023 submission, C4C told us that it anticipates its content investment across all its services will increase over the next licence period to exceed £[✂] per annum by the end of the licence period, demonstrating its commitment to investing in new, distinctive

[172] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 13.
[173] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 50.

programming.[174] In response to a request for information in April 2024, C4C told us that it expected that mitigations it was implementing as a result of lower than expected revenue in its latest three year plan would mean content spend would track back to the 2034 outturn in its original submission.[175] We note C4C's expectation that any change to its content strategy as a result of this quota change would take effect over a number of years, allowing time for the sector to adjust, and its anticipation that the next licence period would bring new opportunities for producers of all sizes.[176]

Figure 2: Spend on first-run UK-originated programmes on Channel 4 (£m): 2010-2023



Source: Ofcom/C4C

Retaining 70% of original production in peak time

5.92 We agree with the concerns of the Scottish Government, VLV and Directors UK that C4C's digital strategy should not mean that linear audiences lose out and that high-impact content should be made available to linear audiences too. This is why we proposed to retain the existing requirement for at least 70% of the hours in peak time to be original productions. This will ensure that the same amount of original output is available at the time when Channel 4's original productions will have the biggest impact and most engagement with its audiences throughout the next licence period. We consider that this will ensure that Channel 4 retains its distinctive identity and character into the future.

Our decision

5.93 Having considered responses to our proposals, we remain of the view that our proposal to reduce the 'all hours' quota from 56% to 45%, while retaining the existing peak requirement of 70%, is appropriate. We consider that these quota levels will support the continued

[174] C4C's May 2023 submission, p. 6.
[175] C4C Confidential Annex 2 – Additional information to support responses to Ofcom licence renewal RFI, April 2024, p. 12.
[176] C4C response to the December consultation, p. 19.

delivery of C4C's remit and media content duties throughout the next licence period, while also ensuring that Channel 4 retains its distinctive identity and character.

5.94 We will continue to use our SMCP Reports to review C4C's investment in original content and monitor whether, as and when C4C starts to shift spend away from the daytime schedule, it is delivering on the strategy it has set out; namely, to reinvest that spend in high-impact content.

Nations and regions production

New licence conditions

At least **35% of the hours** of programmes made in the UK for viewing on Channel 4 must be produced outside the M25, and at least **35% of C4C's expenditure** on programmes made in the UK for viewing on the service must be allocated to the production of programmes **outside the M25** and using a range of production centres.

Until 31 December 2029 at least **9% of the hours** of programmes made in the UK for viewing on Channel 4 must be produced outside England, and at least **9% of C4C's expenditure** on programmes made in the UK for viewing on the service must be allocated to the production of programmes **outside England** and using production centres in Scotland, Wales and Northern Ireland.

From 1 January 2030 at least **12% of the hours** of programmes made in the UK for viewing on Channel 4 must be produced outside England, and at least **12% of C4C's expenditure** on programmes made in the UK for viewing on the service must be allocated to the production of programmes **outside England** and using production centres in Scotland, Wales and Northern Ireland.

Statutory Background

5.95 Section 264 of the Act provides for the objective that the PSBs together, "so far as they include programmes made in the United Kingdom, include what appears to Ofcom to be an appropriate range and proportion of programmes made outside the M25 area".[177] It also provides for the objective that they "include what appears to Ofcom to be a sufficient quantity of programmes that reflect the lives and concerns of different communities and cultural interests and traditions within the United Kingdom, and locally in different parts of the United Kingdom".[178] We consider that the production of programming across the UK contributes towards the fulfilment of this objective.

5.96 Section 288 of the Act requires Ofcom to set the conditions that we consider appropriate for securing that C4C makes a suitable proportion of programmes for the Channel 4 service outside the M25, that these constitute a suitable range of programmes and that a suitable proportion of expenditure is spent on producing these programmes in a suitable range of production centres based outside the M25 area.

[177] Section 264(6)(j) of the Act.
[178] Section 264(6)(i) of the Act.

5.97 Our regional production guidance (last updated in 2019) sets out that, in order to count towards the regional production quota by hours, relevant productions must meet two out of the following three criteria:

i) A substantive base outside the M25.
ii) A minimum of 70% of total production spend outside the M25.
iii) A minimum of 50% of production talent, by cost, have their usual place of employment outside the M25.

5.98 The regional production quotas only apply to first-run programmes made within the UK and do not apply to news programmes. The quotas also do not apply to self-promotional content or acquisitions.

Summary of the consultation proposals

Retaining the regional production quotas at 35% hours and spend

5.99 In the December consultation we proposed to retain the Made outside London (MoL) regional production quotas at 35% of hours and spend.

5.100 We set out our view that the current quotas had facilitated significant investment from C4C outside of London which had contributed to the growth of the UK production sector outside of London and to the authentic portrayal of different communities around the UK.[179]

5.101 We said that the quota had acted as an effective minimum backstop over the licence period, and C4C has consistently over-delivered by a significant amount whilst also investing in the sector and contributing to the creative economy outside London across its other services. We cited Pact data showing that in 2021, C4C commissions provided the second-largest source of commissioning spend for producers outside London.[180]

5.102 We assessed whether it was appropriate to increase the minimum requirements in the new licence in the context of C4C's consistent over-delivery and its voluntary commitment to spend 50% of its budget for main channel commissions on programmes made outside London by 2023.[181]

5.103 We drew on research conducted for us by Oliver and Ohlbaum Associates (O&O) which forecast the slowing of growth in the UK production sector.[182] We acknowledged concerns that any significant reduction of investment by C4C from its current levels could have a negative impact on the sector, but said we thought such a reduction would not be consistent with C4C's published plans and commitments. We modelled how any reduction in C4C's spend from current levels might affect overall PSB spend outside London. Our modelling, based on 2022 figures, suggested that if C4C made the maximum permitted reduction of spend on programming outside London on Channel 4, back to the level of its 35% quotas, the result would have been a 6.5% drop in overall PSB qualifying spend outside London compared to actual levels of spend in 2022. We said that any more minor fluctuation below its current levels was unlikely to have a significant impact on overall PSB spend outside London.[183]

[179] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 59.
[180] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 60.
[181] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 60.
[182] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 61-63.
[183] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 64.

5.104 We concluded that the existing quotas had been effective in delivering the policy objective of investment in the creative economy around the UK. In welcoming C4C's over-delivery of the quota and its wider investment in the nations and regions, we recognised that it was important that C4C continued to have the flexibility to adapt to commercial pressures and fluctuations of supply within the production sector. We therefore considered that 35% remained an appropriate backstop for the duration of the next licence, guaranteeing an appropriate minimum level of spend and hours outside of London.[184]

5.105 In the December consultation we also said that C4C has in place a number of initiatives aimed at developing talent and skills across the UK and promoting the growth of independent production. These include its 4Skills initiative, its Production Training Scheme, and funds such as the Emerging Indie Fund and Indie Growth Fund, as well as its partnerships with screen agencies across the UK.[185]

Summary of consultation responses

5.106 Responses to our proposal to retain the MoL quotas at their current levels were mixed, with some stakeholders reassured by C4C's over-delivery of these quotas and others feeling that more stretching targets should be formalised.

5.107 C4C agreed with our proposal to retain the quotas at their current levels and restated its voluntary commitment to invest 50% of its main channel commissioning budget outside London going forward. C4C also pointed out that its spend in the nations and regions was at its highest ever level in 2022, and that it has consistently significantly exceeded its MoL spend and hours quotas. However, C4C felt that increasing the level of the quotas would create additional commercial and regulatory risk as it continues its long-term strategic shift to a "digital-first public service streamer".[186] C4C also stated that it was committed to growing the independent film production sector outside of London and supporting the production of British films in the nations and regions through its film production arm, Film4.[187]

5.108 Dr Phil Ramsey agreed with our proposals, noting C4C's consistent over-delivery against the MoL quotas. Dr Ramsey said that such quotas are a key way to ensure more equitable spread in funding and jobs around the UK and he considered that the evidence in the December consultation, on the basis of which we proposed the quotas should be retained at the current level, was sound.[188] VLV similarly cited C4C's over-delivery of the quotas, and referred to the economic challenges facing both C4C and the wider production sector, concluding that it would be unwise to increase C4C's MoL quotas at the present time.[189] Other stakeholders also agreed with our proposal, including Ofcom's Advisory Committee for Northern Ireland [190] and Richard Langworthy.[191]

5.109 Other stakeholders agreed with our proposal to retain the 35% quotas but felt that more could be done to grow production hubs in the nations and regions and to improve skills. For

[184] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 64.
[185] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 60-61.
[186] Channel 4 response to the December consultation, p. 20.
[187] Channel 4 response to the December consultation, p. 21.
[188] Dr Phil Ramsey response to the December consultation, p. 4.
[189] VLV response to the December consultation, p. 8-9.
[190] ACNI response to the December consultation, p. 5.
[191] Richard Langworthy response to the December consultation, p 2.

example, Directors UK agreed with retaining the quotas but expressed concern that our proposals to reduce the 'all hours' current affairs quota and the original productions quota would mean a loss of factual programme-making in the nations and regions. Directors UK also suggested that Ofcom and Channel 4 should put a plan in place for how Channel 4 will help the nations and regions build their factual production and IP capacity, as well as expand its production of other genres such as drama and comedy, in order to develop diversified production hubs and grow local talent and skills.[192]

5.110 A number of stakeholders said in their responses to the December consultation that C4C's voluntary target of 50% should be enshrined in the licence to safeguard out-of-London production.[193] Some stakeholders reiterated this point in their responses to the July consultation.[194]

5.111 TAC said that Ofcom could be more ambitious and set a requirement closer to Channel 4's own commitments regarding levels of out-of-London production. It suggested that the MoL quotas should be raised to a minimum of 45%.[195] The Scottish Government said that while Channel 4 has consistently delivered beyond the 35% quota, there is a risk that over the course of the next licence period output could "sink to minimum levels".[196] The Scottish Government said there was a need to mitigate the risk and "ensure that the current levels are at least maintained, but ultimately enhanced" and that it should increase its level of network production outside of London on a "fairer" basis.[197] However it did not say to what level the MoL quotas should be raised.[198]

5.112 TAC argued that "there was a level of inconsistency in Ofcom on the one hand radically altering the target for original commissioning on the core channel [referring to its views on our proposed reduction of the originations quota - see paragraph 5.79 above], but leaving unchanged the MoL quotas, despite the latter being set at a level which is clearly not taking into account the new pattern of Channel 4's commissioning practices".[199]

5.113 Some stakeholders drew comparisons between C4C and the BBC, suggesting C4C could emulate successful elements of the BBC's approach to outside London production. Screen Scotland pointed out that the BBC now has 'nation to network' commissioners based in Glasgow, Cardiff and Belfast and has developed its supplier base outside of London in recent years.[200] Pact highlighted the positive impact that the BBC's bases in Salford and Bristol have had on the local production sector.[201]

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192 Directors UK response to the December consultation, p. 7.

193 NI Independent TV Production Sector Group response to the December consultation, p. 1; Pact response to the December consultation, p. 9; TAC response to the December consultation, p. 3; Screen Scotland response to the December consultation, p. 5; Northern Ireland Screen response to the December consultation, p. 3; Creative Wales response to the July consultation, p. 3; ACS response to the December consultation, p. 6

194 Bectu response to the July consultation, p. 3; BFI response to the July consultation, p. 3; Finestripe response to the July consultation, p. 2; Hello Halo response to the July consultation, p. 1; Creative Wales response to the July consultation, p. 2; Screen Scotland response to the July consultation, p.11; Pact response to the July consultation, p. 4; TAC response to the July consultation, p. 5.

195 TAC response to the December consultation, p. 4.

196 Scottish Government response to the December consultation, p. 4.

197 Scottish Government response to the December consultation, p. 3-4.

198 Scottish Government response to the December consultation, p. 3-6.

199 TAC response to the December consultation, p. 4.

200 Screen Scotland response to the December consultation, p. 5.

201 Pact response to the December consultation, p. 10.

5.114 Some stakeholders, including the Scottish Government[202] and Pact,[203] expressed concern that, despite restating its commitment to the voluntary 50% target, C4C could drop MoL production back to the level of the quotas in the future. Pact said that while a reduction in C4C spend outside of London may have a minor impact on overall PSB spend, ITV and Channel 5 spend a relatively small amount outside of London in comparison to the BBC and Channel 4. Pact said that if C4C were to drop its out of London spend to the quota level, this would have a substantial impact on the production sector and it is unlikely that spend by the other PSBs would make up for the loss.[204] The Northern Ireland Independent TV Production Sector Group felt that continuation of the 35% obligation would be a "disincentive" to Channel 4 continuing to deliver its 50% voluntary commitment to production outside of London.[205]

5.115 Northern Ireland Screen said that there was some inconsistency in our arguments in the December consultation, where we said that retaining the current level of Channel 4's MoL quota is not likely to have a significant impact on the production sector.[206] Northern Ireland Screen noted that we said C4C's commissioning outside of London was important, but that we also said that any more minor fluctuations in the proportion of Channel 4's qualifying spend below its current levels was unlikely to have a significant impact on overall PSB spend outside London. Northern Ireland Screen said that "if there is any logic in these paragraphs, it is wholly weighted to C4C and gives no consideration to the production companies on the other side of the equation".[207]

5.116 Pact stated that it supported ensuring the PSBs have the necessary flexibility to respond to economic uncertainty and any market changes. However, it did not agree that enshrining Channel 4's voluntary commitment of 50% into its licence would reduce its capacity to respond to any changes. It pointed to the fact that C4C had met its voluntary commitment during the Covid-19 pandemic, which it said indicated that C4C has the flexibility to respond to unforeseen economic or market changes. It also said Ofcom should take account of the increased flexibility C4C will have as a result of the Media Act (see para 4.15).[208]

5.117 Pact provided us with a series of case studies of production companies and regional production hubs that it said could readily absorb increased demand from broadcasters for high-impact genre commissioning in the nations and regions. Pact highlighted the role that established production hubs such as Manchester, Bristol and Salford could play in meeting increased demand, as well as smaller hubs such as those in the Midlands and North East of England.[209] In particular, Pact noted that whilst the majority of producers in the UK focus on unscripted productions, many of them are willing and able to adapt and to pivot to other genres. Pact contended this could support a higher quota in the context of C4C's strategy to focus on fewer, high-impact commissions.[210]

[202] Scottish Government response to the December consultation, p. 4.
[203] Pact response to the December consultation, p. 9.
[204] Pact response to the December consultation, p. 9.
[205] NI Independent TV Production Sector Group response to the December consultation, p. 1.
[206] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 63.
[207] Northern Ireland Screen response to the December consultation, p. 3.
[208] Pact response to the December consultation, p. 12
[209] Pact response to the December consultation, p. 9-10.
[210] Pact response to the December consultation, p. 10.

5.118 Pact also said that while any additional investment from the PSBs into training and development schemes is welcome, producers need commissions in order to scale up their businesses, invest in training and skills, and develop new ideas.[211]

5.119 Pact also said that in developing our proposals in relation to the MoL quotas we should have considered that the Media Act removes the publisher-broadcaster restriction, allowing C4C to make its own programmes for the first time.[212] In its response to the July consultation, Pact also said that writing the 50% voluntary commitment into Channel 4's renewed licence is even more imperative as it will affect the quotas Ofcom sets when implementing the changes introduced by the Media Act.

Our response

5.120 Stakeholder views were divided on our proposal to set the MoL quotas at 35% with some supporting our position and others seeking an increase in the quotas.

5.121 Stakeholders who disagreed with our proposal did so for two primary reasons: because C4C has been exceeding the quotas significantly for some time and therefore, in their view, there was no reason why it could not continue to do so; and because of concerns that, without an increase to the quota, the level of delivery could drop over time.

5.122 The existing quotas have been effective in delivering the policy objective of investment in the creative economy around the UK. We acknowledge that C4C has been exceeding the quotas quite significantly during the current licence period. We welcome this over-delivery and think that the level of investment from C4C into the production sector in the nations and regions during the current licence period has delivered positive outcomes for the sector. By way of context, C4C has also exceeded many of its other quotas during this licence period, for example its independent production quota of 25%, where it has averaged closer to 50%.[213]

5.123 We also recognise that it is important that C4C continues to have the flexibility to adapt to commercial pressures and fluctuations of supply within the production sector. We think that retaining the existing quota levels provides this flexibility and that 35% is both an appropriate and proportionate backstop for the duration of the next licence, guaranteeing an appropriate minimum level of spend and hours outside of London.

5.124 We understand the concerns of some stakeholders that, should C4C not be formally held to its current level of over-delivery, it could reduce its spend whilst remaining compliant with its quota obligations. C4C has been explicit in its May 2023 submission and its responses to both the December and July consultations that it is fully committed to its position, set out in *4 All the UK*, that it will spend 50% of its main channel commissioning budget outside London. It publicly re-stated this commitment in November 2023.

5.125 We set out in the December consultation that our modelling, based on 2022 figures, suggested that if C4C made the maximum permitted reduction of spend on programming outside London on Channel 4, back to the level of its 35% quotas, the result would have been a 6.5% drop in overall PSB qualifying spend outside London compared to actual levels of spend in 2022. Any more minor fluctuation below its current performance is unlikely to

[211] Pact response to the December consultation, p. 11.
[212] Pact response to the December consultation, p. 8.
[213] Ofcom, Channel 4 Licence Renewal: Consultation, Figure 27, 6 December 2023, p. 73.

have a significant impact on overall PSB spend outside London. We remain of the view that, while C4C's investment in the nations and regions is important, any small fluctuations in this investment are unlikely to have a damaging impact on the production sector in the UK.[214]

5.126 We continue to believe that it is important to strike a balance between the greater certainty provided by formalising higher quotas and ensuring appropriate flexibility for C4C to deliver its remit. We consider that this is particularly important given C4C's current financial position and its digital transformation. As we pointed out in the December consultation, C4C's intention to invest more in high-impact, high-tariff content that draws audiences to Channel 4 Streaming may restrict the pool of producers it would be able to commission, as the majority of UK producers focus on non-scripted content.[215] We accept C4C's primary argument, also advanced by other stakeholders, that the current quota level of 35% provides the appropriate degree of flexibility as well as guaranteeing an appropriate minimum level of spend and hours outside London.

5.127 In response to Pact's point that we should have taken into account removal of the publisher-broadcaster restriction, we remain of the view that we cannot assess the potential impact of its removal at this stage. C4C has not yet set out any plans as to whether, when or how it will take advantage of removal of the restriction. In its May 2023 submission, C4C said that while it may develop in-house production capability during the next licence period, this would only grow gradually, and it does not currently know where it would be located.[216] To Pact's point around the changes to the quotas as part of implementation of the Media Act, we will be consulting on these changes, which will affect all the commercial PSB licences, early next year.

5.128 In response to TAC's point about the relationship between the MoL quotas and the originations quota, as we explained at 5.64 the originations quota is not a 'first run' condition guaranteeing a certain level of new programming each year and it can be met with repeats of previously commissioned content. In contrast, the MoL quotas require a minimum proportion of qualifying spend on first run originations to be made out of London. Therefore, we do not agree that our approach is inconsistent.

5.129 In response to stakeholders who drew comparisons between C4C and the BBC, we continue to believe that an important part of C4C improving its delivery in the nations is strengthening access to commissioners for producers based across the UK. As part of the additional information that we will be asking C4C to publish annually, it will need to set out how it has engaged with stakeholders in each nation and how it plans to do so in the next year. Our expectation is that this should cover how it is enabling access to commissioners and we will add that to our guidance (see para 5.234).

Our decision

5.130 We have decided to retain the MoL quotas at 35% of qualifying spend and hours.

5.131 We will continue to monitor C4C's delivery outside of London on an annual basis through our SMCP Report and to publish the level of its hours and spend in relation to its voluntary commitment.

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[214] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 63-64.
[215] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 63.
[216] C4C's May 2023 submission, p. 7.

Increasing the Made outside England (MoE) production quotas to 12% of hours and spend from 2030

Summary of the consultation proposals

5.132 In the December consultation we proposed to retain the existing quotas for MoE production at 9% of hours and spend.

5.133 Most respondents from the production sector disagreed with this proposal. Having considered the responses, engaged extensively with stakeholders, and received additional information from C4C, we consulted in July on a proposal to increase Channel 4's MoE quotas to 12% of hours and spend from 2030.

5.134 In the July consultation we explained that we were seeking to set the MoE quotas at an appropriate level to support production outside England, to contribute to a diverse range of programmes that reflect the lives and interests of communities across the UK, and to give C4C appropriate flexibility to succeed and deliver for UK audiences.[217]

5.135 We assessed the following options in the July consultation:

- Retaining the quotas at 9% of hours and spend (our proposal in the December consultation);
- Increasing the quotas to 16%;
- Increasing the quotas to 12%;
- Adding more granular 'nation-specific' quotas.

5.136 Taking into account responses to the December consultation, we acknowledged that raising the quotas would be likely to deliver additional benefits to producers in the nations by increasing the guaranteed, enforceable level of production spend and hours.[218]

5.137 We also set out our view that increasing the quotas to too high a level could impact negatively on C4C's financial sustainability. We modelled the financial impact of setting the quotas at 12% and 16%, and estimated that cost increases required to deliver a 16% quota could result in an overall deficit at the end of the next licence period. Based on our analysis, we said our view was that, whilst still representing a small risk to C4C's financial sustainability and its ability to deliver its licence obligations, increasing the MoE quotas from 9% to 12% in the next licence period was likely to allow C4C to retain sufficient commercial flexibility and be supported by its projected revenues. However, given the broader market uncertainties and C4C's current financial challenges, we considered that increasing the MoE quotas further, to 16%, and the impact that this could have on C4C's commercial flexibility, would represent a greater risk to C4C's future sustainability and its ability to deliver its remit and licence obligations. We said that this would be to the detriment of UK audiences.[219]

[217] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 14.
[218] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 17.
[219] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 18-20.

5.138 We noted that the quotas may increase the challenges faced by C4C when commissioning in the nations and that there was a significant difference of opinion between C4C and other stakeholders on this issue.[220]

5.139 We said that improved representation and portrayal of audiences in the nations was important but that it was not guaranteed by production quotas, as a programme being made in a particular nation may mean that it reflects that place but that this is not always the case.[221] We also disagreed with the view put forward by some stakeholders that Channel 4 should have the same obligations as the BBC, noting the significant differences to their respective funding and governance models. We said that the BBC and C4C could not be directly compared as C4C is of a much smaller scale and the BBC can deliver its quotas by way of its own substantial in-house production bases in the nations and regions whilst C4C is currently entirely dependent on the availability of external production companies.[222]

5.140 We acknowledged that, in guaranteeing a minimum level of production in each nation, nation-specific quotas could be likely to positively impact the production sectors in those areas. However, we also noted the uncertainties around capacity and the impact of nations commissions being delayed or cancelled on nation-specific quotas.[223] We said we had proposed to retain the requirement that in each calendar year MoE spend must be referable to production centres in Scotland, Wales and Northern Ireland. This would ensure that C4C cannot meet its quota in only one or two of the nations, and that each year it must contribute spend to production centres in each nation.[224]

5.141 Alongside proposing that the MoE quotas should increase to 12% we examined the appropriate timeframe for C4C to transition to the higher level. We analysed C4C's view that the increase to 12% should not take place before 2030.[225]

5.142 We said that C4C would need to manage an increase to its quotas in parallel with delivering the *Fast Forward* strategy, with commissioners and producers needing to adapt to new priorities. Given its financial situation, the broader market uncertainty, and the need for C4C to focus on accelerating its digital transformation while ensuring its output meets the needs of audiences, we concluded that a five-year adjustment period for increased MoE quotas was reasonable. However, we said that we expected C4C's investment in programming outside England to increase over the period between 2025 and 2030 in preparation for the higher quotas from 2030 and that we would use our annual SMCP Report to assess its progress.[226]

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[220] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 22-23.
[221] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 23.
[222] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 24.
[223] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 26.
[224] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 27.
[225] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 28-29.
[226] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 29-30.

5.143 As well as proposing to increase the quotas to 12% by 2030, we also said that it was important that C4C provided more transparency on its approach to commissioning in each of the nations. We therefore also proposed to provide further guidance on what we expected C4C to set out in its SMCP on its approach to commissioning in each individual nation.[227]

Summary of consultation responses

Proposed level of the MoE quotas

5.144 C4C agreed with our proposals, stating that increasing the MoE hours and spend quotas to 12% from 2030 would represent a challenging but manageable extension of the current licence requirements. C4C also agreed with our analysis that found raising the MoE quotas to 16% would represent a greater risk to C4C's future financial sustainability.[228]

5.145 Ofcom's Advisory Committee for England did not offer a view on the level of the quotas but said it would be concerned if the proposed 12% MoE quotas were to have a negative impact on the production sector in the English regions.[229]

5.146 The Writer's Guild of Great Britain (WGGB) supported our proposals to maintain the 9% requirement until 2030 and then increase the requirement to 12% on the understanding that this must be the first step towards "more equitable" production quotas in the future.[230]

5.147 Pact was disappointed that we had decided against proposing to increase the MoE quotas to 16% in the July consultation.[231] However, it said that it understood the need for C4C to maintain a certain level of flexibility to adapt to the changes in the market and the shift to digital, and that 12% quotas may provide more flexibility than 16% quotas at least in the short term.[232] It also said that, given the interaction between the MoL quotas and the MoE quotas, it was important for Ofcom to clarify if the proposed 12% MoE quota level is 12% of the MoL quota in its current form (35%), or 12% of C4C's 50% voluntary commitment (which Pact proposed in its response to the December consultation).[233] We discuss this point at paragraph 5.204 below.

5.148 The majority of respondents who disagreed with our July proposal argued that 16% was the most appropriate level for the MoE quota.[234] Most did so by drawing a link to the proportion

[227] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 30-31.
[228] C4C response to the July consultation, p.4.
[229] ACE response to the July consultation, p. 4.
[230] The Writer's Guild of Great Britain response to the July consultation, p. 2.
[231] Pact response to the July consultation, p. 2-3.
[232] Pact response to the July consultation, p. 3.
[233] Pact response to the July consultation, p. 14.
[234] Bectu response to the July consultation, p. 3; BFI response to the July consultation, p. 3; Creative Wales response to the July consultation, p. 1-2; Directors UK response to the July consultation, p. 1; Finestripe response to the July consultation, p 1-2; Hello Halo response to the July consultation, p. 1; Maramedia response to the July consultation, p. 2; NI Independent TV Production Sector Group response to the July consultation, p. 1; Northern Ireland Screen response to the July consultation, p. 1, 3-4; ACNI response to the July consultation, p 1; ACS response to the July consultation, p. 4; ACW response to the July consultation, p. 1-2; Pact response to the July consultation, p. 13-15; Scottish Government response to the July consultation, p. 3; Screen Scotland response to the July consultation, p. 2; TAC response to the July consultation, p. 3; Welsh Parliament response to the July consultation, p. 1-2; VLV response to the July consultation, p. 1.

of the UK population outside of England, arguing that the MoE quota should reflect this.[235] Screen Scotland said that 16% would ensure C4C was "delivering its value for audiences and the creative sector evenly across all four home nations, not favouring any one over the others", which it saw as necessary given C4C's publicly-owned position.[236] Directors UK also said that publicly owned broadcasters should deliver their remit and spend their creative capital fairly across the whole of the UK.[237]

5.149 Some also drew parallels with the BBC's nation-specific quotas which sum to 16%.[238] Ofcom's Advisory Committee for Scotland said that "unlike the 12% suggested, 16% is not an arbitrary number. It reflects the UK populations and has already been a successful BBC Nations quota for many years".[239] Screen Scotland said that "16% is proposed as it brings the quota in line with UK population shares across the four home nations and it was not intended per se to align C4C's licence requirements with those of the BBC".[240] Similarly, Ofcom's Advisory Committee for Wales said that "the combined number of people living in Wales, Scotland and Ireland make up nearly 16% of the UK population. Based on the simple principle of populational representation ACW argues that the proposed increase in MoE quotas to 12% by 2030 is not sufficiently ambitious or representative and poses a threat to Channel 4's stated commitment to deliver for all the UK".[241] Directors UK said that "16%+ of the UK population lives and works in Scotland, Wales and Northern Ireland. This latest proposed move from 9% to 12% does not fairly reflect that".[242] Northern Ireland Screen said that 16% "is not a carryover from BBC regulation, it is grounded in a United Kingdom with 3 devolved Nations which have a combined population of 16%. The devolved UK is then aligned with C4C's vision to represent the whole of the UK and its 4 All the UK strategy".[243]

5.150 Some stakeholders said that 16% was appropriate because it would benefit the production sectors and audiences in the nations. For example Directors UK said that increasing Channel 4's MoE quota to 16% would play a significant role in helping to create "a fairer level of opportunity for screen directors, and other off-screen talent, based in the nations".[244] Ofcom's Advisory Committee for Scotland said that it believed 16% quotas "[W]ould not only be beneficial for the sectors within the Nations but also to C4, delivering the innovative content that they seek".[245]

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[235] Creative Wales response to the July consultation, p. 1-2; Directors UK response to the July consultation, p. 1; Hello Halo response to the July consultation, p. 1; Northern Ireland Screen response to the July consultation, p. 1, 3-4; NI Independent TV Production Sector Group response to the July consultation, p. 1; Northern Ireland Screen response to the July consultation, p. 1, 3-4; ACNI response to the July consultation, p 1; ACS response to the July consultation, p. 4; ACW response to the July consultation, p. 1-2; Northern Ireland Screen response to the July consultation, p. 1; Screen Scotland response to the July consultation, p. 2; TAC response to the July consultation, p. 3; Welsh Parliament response to the July consultation, p. 1-2; VLV response to the July consultation, p. 1.
[236] Screen Scotland response to the July consultation, p. 10.
[237] Directors UK response to the July consultation, p. 1.
[238] The BBC has nation-specific quotas for hours and spend in Scotland (8%), Wales (5%) and Northern Ireland (3%). ACNI response to the July consultation; ACS response to the July consultation, p. 4; Pact response to the July consultation, p. 3; TAC response to the July consultation, p. 3;
[239] ACS response to the July consultation, p. 4.
[240] Screen Scotland response to the July consultation, p. 10.
[241] ACW response to the July consultation, p. 1.
[242] Directors UK response to the July consultation, p. 1.
[243] Northern Ireland Screen response to the July consultation, p. 3.
[244] Directors UK response to the July consultation, p. 2.
[245] ACS response to the July consultation, p. 4.

5.151 Screen Scotland said that enacting the proposals we set out in the July consultation would put creative jobs at risk in the nations, driving further concentration of talent from the nations to London. Screen Scotland further said that our proposals would do nothing for audiences across the UK who want to see their interests, lives and concerns reflected on the UK's public service broadcasters.[246] Directors UK said that Channel 4's failure to invest a "fair and equitable" level of its spending in MoE production has contributed to a dearth of job opportunities for screen directors and other off-screen talent based in the nations and that the MoE quotas being proposed in our re-consultation would not adequately address this.[247]

5.152 Ofcom's Advisory Committee for Scotland said that by accepting C4C's 'conservative' suggestion of an increase (to 12%) we had accepted an overestimate of the risk to the broadcaster.[248] Pact challenged the assertion put forward by C4C in the December consultation that there were capacity constraints in the production sector outside of England. Pact pointed out that Glasgow, Cardiff and Belfast are already well-established production hubs and that it has around 77 members based in Scotland, Wales and Northern Ireland. Pact also highlighted that there are a range of company sizes in the nations, along with other production companies who are not Pact members.[249] Screen Scotland also noted that Glasgow had developed over the past twenty years into one of the UK's biggest production hubs outside London supported by PSB commissioning.[250] Ofcom's Advisory Committee for Northern Ireland said that Northern Ireland is the largest audio-visual production centre in the UK outside of greater London.[251]

5.153 Other stakeholders also set out their observations, based on their knowledge of the sector, that they considered that the nations have the capacity to support an increase in production.[252] Some argued that production companies in the nations are already producing the kind of high-impact content that would contribute to C4C's new commissioning strategy. Creative Wales pointed out that production companies regularly produce high quality original content for other broadcasters and streamers across multiple genres (such as *Sex Education* and *House of the Dragon*), adding that it is "confident the sector in Wales is equipped to manage any increase in demand from Channel 4".[253] Ofcom's Advisory Committee for Northern Ireland cited Northern Ireland's well developed production infrastructure and hit productions such as *Game of Thrones* and *Derry Girls* as evidence that Northern Ireland could deliver commissions that suit C4C's new commissioning strategy.[254]

5.154 The Writers' Guild of Great Britain disagreed with the suggestion by C4C that increasing MoE quotas to 16% would place constraints on its commissioning and force it to commission shows with a view to meeting a quota rather than because those shows represent the best

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[246] Screen Scotland response to the July consultation, p. 8-9.
[247] Directors UK response to the July consultation, p. 2.
[248] ACS response to the July consultation, p. 2.
[249] Pact response to the July consultation, p. 10.
[250] Screen Scotland response to the July consultation, p. 13.
[251] ACNI response to the July consultation, p. 3.
[252] Creative Wales response to the July consultation, p. 1; Pact response to the July consultation, p. 7-10; Writer's Guild of Great Britain response to the July consultation, p. 2.
[253] Creative Wales response to the July consultation, p. 2.
[254] ACNI response to the July consultation, p. 3.

possible ideas.[255] WGGB said that there is no shortage of talent or ideas in the nations and regions, a view shared by a other stakeholders.[256]

5.155 Pact said that it recognised the BBC and C4C have some fundamental differences, and that C4C is smaller in scale, however C4C remains one of the largest broadcasters in the UK. Pact said that while the BBC does have a substantial production capacity through BBC Studios, its in-house capacity in the nations does not substantially contribute to the BBC's fulfilment of its quotas. As part of its response to the July consultation, Pact commissioned O&O to examine the proposals we had set out. Pact referred to this analysis to demonstrate that the BBC is not relying on its in-house capacity in the nations to meet its quotas.[257] Northern Ireland Screen also pointed out that the BBC has no in-house production capacity in Northern Ireland.[258]

5.156 The impact of the Media Act concerned some stakeholders, who felt we should account for potential changes to the PSB landscape when setting the new licence conditions. Pact "strongly urged" Ofcom to consider the proposals in the Media Act in relation to the MoE quotas and how this flexibility will contribute to the overall sustainability of C4C in the context of the MoE quotas.[259]

5.157 Pact also said that it is likely that C4C would have moved into production before the end of the next licence period. It said that, whilst it is unlikely that C4C will be able to scale to the same level as ITV Studios and BBC Studios over the next ten years, it was concerned that we had not considered this when setting the licence.[260]

Timing of the introduction of higher MoE quotas

5.158 C4C said that "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."[261] C4C argued that, despite its aims to meet the 12% level before 2030, "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".[262]

[255] Writer's Guild of Great Britain response to the July consultation, p. 2.
[256] Writer's Guild of Great Britain response to the July consultation, p. 2; Screen Scotland response to the July consultation, p. 16; TAC response to the July consultation, p. 4.
[257] Pact response to the July consultation, p. 5-6.
[258] Northern Ireland Screen response to the July consultation, p. 4.
[259] Pact response to the July consultation, p. 5.
[260] Pact response to the July consultation, p. 5.
[261] C4C response to the July consultation, p. 8.
[262] C4C response to the July consultation, p. 8.

5.159 However, most respondents felt that the higher level should come into force before 2030.[263] A range of views as to when quotas should be raised were presented by stakeholders.

5.160 Pact argued for MoE quotas of 12% from 2027, rising to 16% by 2034.[264] Drawing on the analysis it commissioned from O&O, Pact said that whilst C4C's hours and spend in the nations has varied, qualifying hours from the nations have remained at 9% or above since 2015. Whilst it acknowledged that qualifying spend has fluctuated to a greater extent, it argued that the increase in spend from 7.9% in 2019 to 9.4% in 2020 (when the 9% MoE quota came into force) "highlights that C4C is able to deliver on any enhanced quotas when required".[265] Pact also argued that C4C has delivered on its 9% quota since its introduction and noted that, in 2023, spend increased to close to 11% which Pact argued indicates that "meeting the proposed 12% would be feasible before 2030".[266]

5.161 Pact asked O&O to consider how C4C might meet a 12% quota from 2027. Pact conceded that an increased quota would require some planning but said that "as the proposed quota change is only 1.1% for spend and 1.4% for hours above Channel 4's achieved levels in 2023", C4C would not need a five-year adjustment period.[267]

5.162 O&O's modelling suggested that meeting the 12% quota in 2027 would require £4-7m of additional investment in the nations by C4C per year from 2025-27.[268] Pact noted that this additional investment would likely come from diverting spend away from London.[269] It argued that new commissions accounted for a higher share of commissions within London than outside, which it thought indicated that C4C could divert some of its spend on new London commissions to the nations rather than moving returning series or substantially increasing its content budget.[270]

5.163 Pact understood that it would take C4C some time to change its commissioning strategy to account for higher MoE quotas but said that implementing an increased nations quota in 2027 would act as an incentive for C4C to seek out new ideas from new suppliers.[271] Screen Scotland said that if the production sector in the nations is to be ready to service C4C's digital strategy in 2030, keeping the MoE quotas at 9% until that time will disproportionately advantage producers based within England, likely within London.[272]

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[263] Bectu response to the July consultation, p. 3; Robert Beveridge response to the July consultation, p. 1; BFI response to the July consultation, p. 3; Creative Wales response to the July consultation, p. 1-2; Directors UK response to the July consultation, p. 1; Finestripe response to the July consultation, p 1-2; Hello Halo response to the July consultation, p. 1; Maramedia response to the July consultation, p. 2; NI Independent TV Production Sector Group response to the July consultation, p. 1; Northern Ireland Screen response to the July consultation, p. 1, 3-4; ACNI response to the July consultation, p 1; ACS response to the July consultation, p. 4; ACW response to the July consultation, p. 1-2; Pact response to the July consultation, p. 13-15; Scottish Government response to the July consultation, p. 3; Screen Scotland response to the July consultation, p. 2; TAC response to the July consultation, p. 3; Welsh Parliament response to the July consultation, p. 1-2; VLV response to the July consultation, p. 3.
[264] Pact response to the July consultation, p. 1, 3.
[265] Pact response to the July consultation, p. 11.
[266] Pact response to the July consultation, p. 11.
[267] Pact response to the July consultation, p. 11.
[268] Pact response to the July consultation, p. 12.
[269] Pact response to the July consultation, p. 12.
[270] Pact response to the July consultation, p. 12.
[271] Pact response to the July consultation, p. 7.
[272] Screen Scotland response to the July consultation, p. 10-11.

5.164 Screen Scotland drew on O&O's analysis for Pact to argue for MoE quotas of 12% from 2027, with 16% as a "stretch goal" across the period 2027 to 2034.[273] Screen Scotland said that "2027 is an achievable target for C4C to meet a 12% quota [as] it offers adequate 'time to adjust'. Hitting 16% is more of a stretch, but from the vantage point of 2027 Ofcom will be in a much stronger position to determine if 16% is achievable than it is in 2024. The pace of this 16% stretch goal can then be determined such that the balance that Ofcom seeks is preserved all the way to 2034".[274]

5.165 In arguing for a date of 2027, Screen Scotland also said that Ofcom's estimate of the additional spend that C4C would be required to make to reach higher MoE quotas does not take into account that "…it is rare now for any project of scale to be funded by a PSB's licence fee alone… more often it is a combination of licence fee, distribution advance, and other sources – including public funding – that comprise any project's overall funding." Screen Scotland also said that it understood that 2030 has been proposed because it is the anticipated end point of C4C's *Fast Forward* initiative.[275] A number of other stakeholders also suggested quotas should rise from 12% to 16% across the period 2027-2034.[276]

5.166 The British Film Institute (BFI) argued for 16% by the end of 2034, [277] and Ofcom's Advisory Committee for Scotland argued for 16% "within ten years of renewal of this licence", noting that whilst it is for Ofcom to determine the length of the new licence, as other PSBs have recently had their licences renewed for a ten-year period, a ten-year period is acceptable for C4C to deliver this change.[278]

5.167 Other suggestions were put forward, for example Professor Robert Beveridge said that new MoE quotas should be introduced in or near the beginning of 2025.[279] Northern Ireland Screen argued for 12% by 2027, 14% by 2030 and 16% by 2032.[280] TAC said that Channel 4 could be required to meet the proposed 12% by 2026 and then 16% by 2029.[281] Ofcom's Advisory Committee for Wales called for 12% by 2027 and 16% by 2030.[282] The Northern Ireland Independent TV Production Sector Group called for 16/17% by 2030, with interim staging posts in 2027 and 2029.[283] Maramedia said it would be fairer if the MoE quotas rose to between 12 and 16% well in advance of 2029.[284] Ofcom's Advisory Committee for Northern Ireland expressed a preference for 16%, but said that if the lower 12% MoE quotas were adopted, an incremental (annual increase) approach should be used to reach the 12% of programming hours and expenditure by 31 December 2029.[285] The Welsh Parliament said that 12% should be introduced sooner than 2030, with consideration to increasing quotas in

[273] Screen Scotland response to the July consultation, p. 1.
[274] Screen Scotland response to the July consultation, p. 14.
[275] Screen Scotland response to the July consultation, p. 10. This appears to be a misunderstanding. *Fast Forward* launched in 2024, hence the anticipated end date of *Fast Forward* is 2034. We further discuss below at paragraph 5.226.
[276] Bectu response to the July consultation, p. 3; Creative Wales response to the July consultation, p. 1; Finestripe response to the July consultation, p. 2-3; Hello Halo response to the July consultation, p. 1; Scottish Government response to the July consultation, p. 3;
[277] BFI response to the July consultation, p. 6.
[278] ACS response to the July consultation, p. 4.
[279] Robert Beveridge response to the July consultation, p. 1.
[280] Northern Ireland Screen response to the July consultation, p. 1.
[281] TAC response to the July consultation, p. 3.
[282] ACW response to the July consultation, p. 2.
[283] NI Independent TV Production Sector Group response to the July consultation, p. 1.
[284] Maramedia response to the July consultation, p. 2.
[285] ACNI response to the July consultation, p. 3.

subsequent years.[286] VLV said that 12% quotas should be introduced sooner than 2030, with another possible rise to 16% after 2030.[287]

Individual nations quotas for Scotland, Wales and Northern Ireland

5.168 A number of respondents said that Ofcom should set nations-specific quotas for Wales, Scotland and Northern Ireland.[288] It was the view of some respondents that nations-specific quotas would safeguard investment in the nations and ensure it was fairly distributed.[289] For example Ofcom's Advisory Committee for Wales said that nations-specific quotas would ensure that all nations and regions of the UK equitably benefit from Channel 4 investment in production and content.[290] Creative Wales said that nations-specific quotas would incentivise Channel 4 to consider its impact individually across nations.[291] Screen Scotland also said that nations-specific quotas would ensure opportunities exist for talented people based in each home nation.[292]

5.169 Most stakeholders who proposed nations-specific quotas felt that any quotas should reflect the nations' respective populations.[293] For example the BFI, which supported 16% MoE quotas, said that nations-specific quotas based on share of population was a logical subdivision of the overall MoE quotas and that this would ensure Channel 4, as a publicly-owned Corporation, furthers the interests of citizens across the UK in an equitable way.[294]

5.170 Some respondents said that setting nations-specific quotas would bring the requirements Ofcom sets for C4C in line with those for the BBC. For example, TAC said that "bringing Channel 4's requirement up to 16% would mirror the BBC's nations commitments, which cumulatively stand at 16% (8% Scotland, 5% Wales, 3% Northern Ireland)". With reference to Northern Ireland, Ofcom's Advisory Committee for Northern Ireland said that the BBC had benefitted greatly from its commissioning quota for Northern Ireland, citing recent successes such as *Blue Lights*, *Line of Duty* and *Hope Street*.[295]

5.171 C4C said that separate production quotas for the individual nations would not be appropriate. It said that they would result in relatively small-scale spending totals for each

[286] The Welsh Parliament response to the July consultation, p. 2
[287] VLV response to the July consultation, p. 3.
[288] Bectu response to the July consultation, p. 2-3. BFI response to the July consultation, p. 6-7; Creative Wales response to the July consultation, p. 1-2; Hello Halo response to the July consultation, p. 1; ACNI response to the July consultation, p. 1-4; ACS response to the July consultation, p. 4; Professor Robert Beveridge response to the July consultation, p. 2; NI Independent TV Production Sector Group, p. 1; Pact response to the July consultation, p. 8-10; Screen Scotland response to the July consultation, p. 2, 16-17; TAC response to the July consultation, p. 4-5; WGGB response to the July consultation, p. 2; VLV response to the July consultation, p. 4.
[289] Bectu response to the July consultation, p. 2-3; ACNI response to the July consultation, p. 1, 3; . BFI response to the July consultation, p. 6-7; Creative Wales response to the July consultation, p. 1-2; Professor Robert Beveridge response to the July consultation, p. 2; Pact response to the July consultation, p. 8-10; Screen Scotland response to the July consultation, p. 2, 16-17; Screen Scotland response to the July consultation, p. 2, 16-17; TAC response to the July consultation, p. 4-5; WGGB response to the July consultation, p. 2; VLV response to the July consultation, p. 4.
[290] ACW response to the July consultation, p. 1.
[291] Creative Wales response to the July consultation, p. 4.
[292] Screen Scotland response to the July consultation, p. 2.
[293] ACNI response to the July consultation, p. 2; BFI response to the July consultation, p. 7; Hello Halo response to the July consultation, p. 1; Pact response to the July consultation, p. 3; Robert Beveridge response to the July consultation, p. 2; Screen Scotland response to the July consultation, p. 2; Creative Wales response to the July consultation, p. 2.
[294] BFI response to the July consultation, p. 7.
[295] ACNI response to the July consultation, p. 3.

nation and would limit the amount of spend available to invest in programming of scale from across the nations.[296] Screen Scotland said that with the MoE quotas raised above 9% - as we proposed in the July consultation - the disproportionate impact of individual project cancellations or delays on nations-specific quotas would be mitigated.[297]

5.172 Pact said that there should be separate quotas for Scotland, Wales and Northern Ireland. Using the analysis that it had commissioned from O&O it argued that if the 12% quotas we proposed were split between Wales, Scotland and Northern Ireland using a population-based ratio, this would imply quotas of 3.75% for Wales, 6% for Scotland and 2.25% for Northern Ireland. Pact said that C4C's current commissioning in the nations is skewed towards Scotland and Wales and that it would be able to meet the suggested quotas for Scotland and Wales "quite easily" but would likely need to boost its commissioning activity in Northern Ireland given its historically low investment there. It also said a 12% MoE quota together with separate quotas for the individual nations and an earlier introduction date would mean businesses have certainty and will seek to invest in the nations, which is important for the promotion of economic growth. [298]

5.173 Stakeholders offered a range of views on when nations-specific quotas should be introduced. Many argued that 2027 was the most appropriate date.[299] Ofcom's Advisory Committee for Scotland felt that nations-specific quotas should be introduced alongside a 16% quota by the end of the licence period.[300] Other stakeholders, including the BFI and TAC, did not specify timing for introduction of nations-specific quotas.[301]

5.174 Stakeholders who responded from Northern Ireland noted C4C's historically low production spend in Northern Ireland and argued that only a quota for production in Northern Ireland would deliver what they considered to be a proportionate amount of investment there. Northern Ireland Screen said that Channel 4's overall engagement with Northern Ireland during the previous 10-year licence period was extremely poor.[302] With regard to our proposals for the new licence, Ofcom's Advisory Committee for Northern Ireland was concerned that the proposed new MoE licence conditions would not benefit Northern Ireland without individual quotas for each UK nation.[303] Northern Ireland Screen argued for a specific quota for Northern Ireland of 3%. It said that, from a Northern Ireland perspective, this was urgently required based on the portrayal scores Ofcom cited in last year's SMCP Report and the production spend data presented in the report O&O prepared for PACT.[304] The Northern Ireland Independent TV Production Sector Group called for a 3% quota for Northern Ireland by 2030 with a "genre mix".[305] Northern Ireland Screen also disagreed that we should take account of C4C's broader contribution to supporting the production sector in

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[296] C4C response to the July consultation, p. 6-7.
[297] Screen Scotland response to the July consultation, p. 18.
[298] Pact response to the July consultation, p. 8-10.
[299] Pact response to the July consultation, p. 1, 3; Screen Scotland response to the July consultation, 1; Scottish Government response to the July consultation, p. 3; Creative Wales response to the July consultation, p. 1; Bectu response to the July consultation, p. 3; Finestripe response to the July consultation, p. 3.
[300] ACS response to the July consultation, p. 4.
[301] Culture, Communication, Welsh Language, Sport, and International Relations Committee response to the July consultation, p. 2; VLV response to the July consultation, p. 4; ACNI response to the July consultation, p. 1. BFI response to the July consultation, p. 7; TAC response to the July consultation, p. 4.
[302] Northern Ireland Screen response to the July consultation, p. 1.
[303] ACNI response to the July consultation, p. 2.
[304] Northern Ireland Screen response to the July consultation, p. 1.
[305] NI Independent TV Production Sector Group response to the July consultation, p. 1.

the Nations, in particular skills and training. It said that such schemes only work if they are bolted on to guaranteed production and, even then, they can do as much harm as good.[306]

5.175 Northern Ireland Screen said that Ofcom and C4C placed a lot of weight on the idea that raising the level of the MoE quotas or setting nations-specific quotas would impact C4C's flexibility in commissioning. Northern Ireland Screen accepted that any quota would create a level of constraint but did not consider it followed that commissioners would be constrained as to the companies they could commission in the nations because London-based companies could contribute to production in the nations as per our regional production guidance.[307]

5.176 Professor Robert Beveridge said that we would not secure our new statutory duty to have regard to the desirability of promoting economic growth without setting nations-specific quotas,[308] with other stakeholders also making reference to our new growth duty.[309] Pact said that we "must consider the importance of the promotion of economic growth and ensure any regulatory action taken is necessary and proportionate. Given this new statutory duty, [Ofcom] now has an opportunity to give a much-needed signal to the supply side of the market within the nations and regions that Ofcom trusts that it can deliver for C4C".[310]

5.177 The Northern Ireland Independent TV Production Sector Group argued that C4C had "unilaterally exaggerated the degree of difficulty in applying individual nations quotas either in terms of sectoral capacity or in the lead-in time required to make the transition" and suggested that we had not properly interrogated C4C's reasoning.[311]

5.178 Some stakeholders felt that Ofcom should support the development of other mechanisms for ensuring a more equitable spread of MoE spend across the nations.[312] Ofcom's Advisory Committee for Scotland said that it felt there is a historical lack of investment in the nations and therefore a lack of understanding of the talent that exists outside of England on the part of C4C.[313] Ofcom's Advisory Committee for Northern Ireland said that the nations should have representation on the C4C Board.[314] Ofcom's Advisory Committee for Wales called for C4C to commit to increasing the number of commissioners who live and work in the nations, ensuring that Wales, Scotland and Northern Ireland are fairly represented.[315] Directors UK also said that appointing or basing more commissioners or heads of department in the nations would help establish more meaningful creative relationships.[316]

Representation and portrayal

5.179 Some stakeholders said higher quotas for MoE production could result in improved representation and/or portrayal of the nations.[317] Directors UK said that an increase to the

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306 Northern Ireland Screen response to the July consultation, p. 4.
307 Northern Ireland Screen response to the July consultation, p. 2-3.
308 Robert Beveridge response to the July consultation, p. 2.
309 Directors UK response to the July consultation, p. 1; Pact response to the July consultation, p. 8.
310 Pact response to the July consultation, p. 8.
311 NI Independent TV Production Sector Group, p. 4.
312 Culture, Communication, Welsh Language, Sport, and International Relations Committee response to the July consultation, p. 2; Directors UK response to the July consultation, p. 4-5.
313 ACS response to the July consultation, p. 3.
314 ACNI response to the July consultation, p. 1, 4.
315 ACW response to the July consultation, p. 4.
316 Directors UK response to the July consultation, p. 4.
317 Bectu response to the July consultation, p. 2; BFI response to the July consultation, p. 4; Directors UK response to the July consultation, p. 2; ACNI response to the July consultation, p. 2-3; NI Independent TV Production Sector Group response to the July consultation, p. 2-3.

quotas would support "greater creative economic growth and representation in the nations, and the development and diversity of talent, skills and businesses across the UK".[318] TAC said that "representing all parts of the UK is vitally important for any PSB […] people in the UK nations have a right to see their lives, communities and interests represented. But representation is not the sole reason alone, producers from different parts of the UK bring with them different perspectives, ideas and talent, all of which can benefit Channel 4's overall offer to the British public".[319]

5.180 Ofcom's Advisory Committee for Northern Ireland pointed out that in our 2022 SMCP Report we highlighted lower portrayal scores in Northern Ireland,[320] while Northern Ireland Screen also made mention of these scores.[321] The Northern Ireland Independent TV Production Sector Group argued that that C4C's "well documented underperformance" in Northern Ireland has been "generationally damaging […] in terms of regional portrayal".[322]

5.181 Creative Wales pointed to Ofcom data indicating low audience share figures for Channel 4 in Wales. It suggested that "better engagement and an increase in commissioning direct with the production sector in Wales should support improved portrayal and help to improve viewing trends and audience figures".[323] In its response to the December consultation, the Scottish Government also said that basing commissioners with funding and decision-making power in Scotland will ultimately lead to content which audiences recognise as more authentic and representative.[324]

5.182 In its response to our proposed guidance on improved reporting via the SMCP, Ofcom's Advisory Committee for Wales said "The committee proposes […] that, when reporting on future quota delivery objectives, Channel 4 differentiates between spend and hours versus portrayal and representation. Portrayal and representation data in relation to all MoE content should be captured, analysed and reported upon independently, using both quantitative and qualitative methods for interrogating the narrative".[325]

Proposed guidance for C4C on how it should report on MoE production in its SMCP (Statement of Media Content Policy).

5.183 A number of stakeholders agreed with our proposal that C4C should provide more information about its approach to commissioning in the nations in its annual SMCP.[326]

5.184 Other stakeholders welcomed our proposals for enhanced monitoring and reporting, however felt that this needed to be coupled with quotas or requirements for commissioning from the nations.[327] For example Pact said that enhanced reporting was not a sufficient

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[318] Directors UK response to the July consultation, p. 2.
[319] TAC response to the July consultation, p. 2.
[320] ACNI response to the July consultation, p. 2.
[321] Northern Ireland Screen response to the July consultation, p. 2.
[322] NI Independent TV Production Sector Group response to the July consultation, p. 2-3.
[323] Creative Wales response to the July consultation, p. 3.
[324] Scottish Government response to the July consultation, p. 5.
[325] ACW response to the July consultation, p. 2.
[326] Bectu response to the July consultation, p. 3; BFI response to the July consultation, p. 3; C4C response to the July consultation, p. 8; Creative Wales response to the July consultation, p. 2. Maramedia response to the July consultation, p. 3; VLV response to the July consultation, p. 6.
[327] WGGB response to the July consultation, p. 2; Directors UK response to the July consultation, p. 5; Pact response to the July consultation, p. 16; Screen Scotland response to the July consultation, p. 18; NI Independent TV Production Sector Group response to the July consultation, p. 1; Scottish Government response to the July consultation, p. 4.

replacement for nations-specific quotas and sustained long term investment and commissioning from the nations and regions.[328] Screen Scotland agreed with our proposal, but said it hoped that the SMCP would also track progress towards the higher quotas it had suggested.[329] Directors UK stated increased transparency needed to be coupled with clear requirements to commission high impact productions across all of the nations.[330] The Northern Ireland Independent TV Production Sector Group added that it "did not believe that a non-binding annual reporting structure will effectively and reliably replace individual nations quotas".[331] The Scottish Government said that further guidance would be helpful in ensuring that the aims of the quotas are fulfilled in the most appropriate and positive manner.[332]

5.185 Ofcom's Advisory Committee for Scotland disagreed with our proposals, saying that although transparency and engagement is welcomed, without goals and targets attached, annual reporting will not guarantee appropriate outcomes.[333]

5.186 Stakeholders in Northern Ireland felt that that we needed to do more to hold C4C to account given its relatively low investment in Northern Ireland.[334] Northern Ireland Screen said that it was unconvinced that our proposal for an annual commissioning strategy for each of the Nations would deliver the intended outcome.[335] Similarly, Ofcom's Advisory Committee for Northern Ireland disagreed with our proposal and said that simply reporting via the Channel 4 Annual Report and SMCP has been shown not to deliver appropriate outcomes for Northern Ireland.[336]

5.187 Ofcom's Advisory Committees for Wales and Northern Ireland both said that any reporting should include measurable outputs, with ACNI suggesting commissions in the nations and agreed metrics to try to bring the Northern Ireland public service broadcasting audience share to at least parity with the UK average (5%).[337] Ofcom's Advisory Committee for Wales also maintained that Channel 4 should commit to growing production and consumption of 'made in Wales' and 'about Wales' content with the ambition of increasing Channel 4's share of viewing in Wales to levels that equal or exceed the PSB averages by 2030.[338]

5.188 Creative Wales said that C4C should produce annual reports on its delivery against its MoE quotas alongside its annual strategy reports, and that these should include bespoke commissioning strategies for each nation. It said that C4C's strategy in Wales should "aim to genuinely develop the indigenous ecosystem, avoiding lift and shift, to significantly improve Channel 4 commitment to Welsh supplier development". It added that there was a need for better mechanisms to hold the broadcaster to account for its delivery in Wales, such as

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[328] Pact response to the July consultation, p. 16.
[329] Screen Scotland response to the July consultation, p. 18.
[330] Directors UK response to the July consultation, p. 5.
[331] NI Independent TV Production Sector group, p. 1.
[332] Scottish Government response to the July consultation, p. 4.
[333] ACS response to the July consultation, p. 5.
[334] Northern Ireland Screen response to the July consultation, p. 1; ACNI response to the July consultation, p.4; NI Independent TV Production Sector Group response to the July consultation, p. 3-5.
[335] Northern Ireland Screen response to the July consultation, p. 1.
[336] ACNI response to the July consultation, p. 4.
[337] ACW response to the July consultation, p. 1.
[338] ACW response to the July consultation, p. 2.

meetings between senior representatives of C4C and Welsh Ministers or Ofcom's Advisory Committee for Wales, and more engagement between C4C and the Senedd.[339]

5.189 Ofcom's Advisory Committee for England said that it would be concerned if the proposed increase to 12% had a negative impact on the production sector in the English regions. It noted that over the course of the licence period C4C's leadership, strategy and its commitment to its voluntary 50% MoL spend commitment could change. Therefore, it recommended that Ofcom use the SMCP Report to "police" C4C's progress towards meeting its new quotas and as a mechanism to "flag any unforeseen consequences i.e. a negative impact on production in the English regions". It suggested that C4C should be required to publish the percentage of commissions in England outside of London, alongside the levels for Scotland, Wales and Northern Ireland, on an annual basis as well as breaking it down further by location. Ofcom's Advisory Committee for England asked for clarity on the relationship between the MoL and MoE quotas.[340]

5.190 Pact said that whilst the SMCP Report is a useful tool for stakeholders to see how C4C is performing against its remit and obligations, it would welcome clarity on how we will hold C4C to account if we are not satisfied with its progress in the nations.[341] Other stakeholders also asked for clarity on the monitoring and enforcement powers at our disposal once the licence is set.[342]

Our response

Level of the quotas

5.191 We acknowledge the strength of feeling in relation to the level at which these quotas should be set, and when any change should be brought in. As we set out in the July consultation, our role in determining the appropriate level relies on a high degree of regulatory judgment, involving consideration and analysis of the range of inputs and views that we have received from stakeholders, forecasting based on financial and other qualitative data, and a range of research.

5.192 Stakeholders in the production sector in the nations have clearly set out their view that Channel 4 should be commissioning more production outside of England and that a significant increase in the quotas is appropriate. C4C has presented evidence as to why, whilst it can support a managed increase, it needs to retain flexibility in its commissioning to deliver its broader strategic plans and to ensure that it can deliver the best content for audiences.

5.193 We acknowledge the view advanced by several stakeholders in the production sector in the nations that the key factor in determining the appropriate level of Channel 4's MoE quotas should be the proportions of the UK population in Scotland, Wales and Northern Ireland. As we said in the July consultation, we agree that raising Channel 4's MoE quotas beyond 9% and therefore increasing the guaranteed, enforceable proportion of production spend and hours in the nations would be likely to benefit regional production. However, this needs to be implemented in a way that is sustainable. As discussed below, we do not think that setting the quotas at 16%, equivalent to the proportion of the UK population in the nations,

[339] Creative Wales response to the July consultation, p. 3-4.
[340] ACE response to the July consultation, p. 3-4
[341] Pact response to the July consultation, p. 15.
[342] ACE response to the July consultation, p. 3-4; ACNI response to the July consultation, p. 4.

would be sustainable for Channel 4. Nor do we think that the level of the quotas needs to be proportionate to the population in the nations to deliver the objectives set out in section 264 of the Act.

5.194 We disagree with some stakeholders' position that Channel 4's public ownership means that the quotas should be set at the level of population share in order to deliver its remit fairly and sustainably across all four nations, both at an aggregate level and for individual nations.[343] Channel 4 has a more extensive remit than Channels 3 or 5, and C4C has broader requirements under its media content duties, reflecting its public ownership. We originally proposed an out of England production quota for the BBC and Channel 4, and not Channels 3 and 5, as we believed that "such an obligation was more appropriate to the BBC and Channel 4, with whose public objectives it was more closely aligned".[344] However, as we set out in the July consultation, although publicly owned C4C is entirely commercially funded. It is in a different position from the BBC and in setting the quotas we must take into account the market context described in section 4.[345]

5.195 We are seeking to set the quotas at an appropriate level to deliver the best output for audiences. We are aiming to support production outside England, contribute to a diverse range of programmes that reflect the lives and interests of communities across the UK, and give C4C appropriate flexibility to successfully implement its digital strategy to ensure that it can continue to deliver for UK audiences. We remain mindful of the challenges facing C4C as it implements a significant change to its content and distribution strategy which, as the *Fast Forward* strategy explicitly states, will mean fewer hours of programming overall but with higher audience impact.

5.196 Our proposal that 12% was the appropriate level was drawn from modelling the impact on C4C's financial position over the course of the next licence period of an increase to 12%, the level suggested by C4C, and an increase to 16% as suggested by other stakeholders.

5.197 As we acknowledged in the July consultation, it is for C4C, and not Ofcom, to determine how it should implement any increase to its quotas provided the different production centres used constitute "a suitable range".[346] To meet increased MoE spend and hours quotas[347] C4C would have to:

a) Move spend and hours of content produced in London to the nations;
b) Move spend and hours of content produced in the English regions[348] to the nations; and/or
c) Increase its overall level of production spend and hours.

5.198 Our analysis showed that to achieve 12% MoE hours and spend in 2022 C4C would have needed to migrate c. [✂] hours and c. £[✂]m spend from England to Scotland, Wales and

[343] Screen Scotland's response to the July consultation, p. 10; Directors UK response to the July consultation, p. 1; BFI response to the July consultation, p. 3.
[344] Ofcom, Renewal of the Channel 4 Licence: Statement, 11 March 2014, p. 6.
[345] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 24.
[346] Under section 288(1) of the Act.
[347] These quotas only apply to 'Qualifying spend'. Qualifying spend is a [✂]% subset of C4C's programme spend on its main PSB channel, and excludes spend on news, acquisitions, and repeats etc. Channel 4's qualifying production spend is itself a subset of around [✂]% of C4C's reported total annual content spend across its portfolio of services (based on 2022 quota performance data).
[348] References to the English regions exclude London.

Northern Ireland. To achieve 16% MoE hours and spend C4C would have needed to migrate c. [✂] hours and c. £[✂]m spend from England to Scotland, Wales and Northern Ireland. In the consultation we acknowledged that C4C had provided credible reasons as to why there was a limit on how much moving content from England (London and English regions) could contribute to fulfilling an increased MoE quota and that it was likely that C4C would need to increase its overall content spend to meet any increase beyond 12%. Therefore, in modelling this, we assumed that C4C would manage an increase from 9% to 12% mainly by moving commissions from London and would then implement an increase from 12% to 16% by increasing its overall content spend. On this basis our modelling showed that the maximum potential impact of increasing the MoE quotas from 12% to 16% is that C4C would need to produce an additional c. [✂] hours of programming at c. £[✂]m additional cost. This is the equivalent of c. [✂]% of C4C's total 2022 content cost and c. [✂]% of Channel 4's qualifying spend.[349]

5.199 Based on these estimates, we modelled the maximum potential impact on C4C's projected revenues over the course of the licence of increasing its MoE quotas beyond 12% to 16%. In modelling additional content costs, we used Channel 4's actual MoE costs per genre in 2022, and based the increases to future delivery on the genres we understood that C4C will look to commission more of in future. We also assumed that Channel 4's qualifying spend[350] as a proportion of C4C's total annual content spend would remain at the same level for the new licence period.[351]

5.200 To assess the potential financial impact of this additional cost on C4C's projected surplus for the next licence period we applied the calculated one-off uplift of c. [✂]% to C4C's forecast total content costs in 2030 onwards to mirror C4C's suggested implementation plan for increased quotas. We then applied the content and economic inflation assumptions in C4C's business plan to the uplifted content costs from 2030 and used all other information and assumptions from C4C's updated business plan, including its TV advertising revenue projections. In this scenario, we estimate cost increases that could result in a deficit, at the end of the next licence period, of up to c. £[✂]m as opposed to C4C's estimated surplus of c. £[✂]m.[352]

5.201 We acknowledge that C4C would be likely to use a combination of the options set out at 5.197 rather than only increasing its content spending, and that the maximum potential increase in costs that we have shown is likely to overstate the impact on C4C's financial position. However, we remain of the view we set out in the July consultation that, given C4C's current financial position and the commercial uncertainties it faces in the next licence period, increasing the MoE quotas to 16% would place a greater risk on C4C's future sustainability and its ability to deliver its licence obligations than an increase to 12%.[353]

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[349] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 19.

[350] These quotas only apply to 'Qualifying spend'. Qualifying spend is a [✂]% subset of C4C's programme spend on its main PSB channel, and excludes spend on news, acquisitions, and repeats etc. Channel 4's qualifying production spend is itself a subset of around [✂]% of C4C's reported total annual content spend across its portfolio of services (based on 2022 quota performance data).

[351] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 19.

[352] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 19.

[353] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 19.

Therefore we continue to think that 12% is the appropriate level at which to set the increased quotas.

5.202 We disagree with the view presented by Screen Scotland that a 12% quota would put creative jobs at risk in Scotland, Wales and Northern Ireland, and do nothing for audiences across the UK who want to see their interests, lives and concerns reflected on our publicly owned PSB services.[354] As we said in the July consultation, we agree that raising Channel 4's MoE quotas beyond 9% and therefore increasing the guaranteed, enforceable proportion of production spend and hours in the nations would be likely to benefit regional production and potentially the representation and portrayal of audiences in the nations. We therefore consider that increasing the quotas to 12% will deliver increased benefits both to producers and to audiences versus retaining the existing level of 9%.

5.203 Our conclusion is therefore that an increase of the MoE quotas from 9% to 12% will deliver additional benefits to the production sector in the nations and audiences whilst remaining proportionate and sustainable for C4C.

5.204 To Pact's query around the interaction between the MoL and MoE quotas, the MoE quotas are not a percentage of the MoL quotas (e.g. 12% of 35% of qualifying spend and hours) but a percentage of total qualifying spend and hours as per the definition in Ofcom's guidance on regional production.

Nations-specific quotas

5.205 In response to the July consultation, a number of stakeholders sought the introduction of nations-specific quotas for Channel 4 because, in their view, this would safeguard investment in the nations and ensure it was fairly distributed. Some stakeholders said that the levels should be proportionate to the population of each nation. Whilst the introduction of nations-specific quotas may give greater certainty to producers about the proportion of spend in individual nations, they would represent a significantly greater constraint on C4C than the current aggregate MoE quotas.

5.206 C4C has said it is common that commissions are delayed, cancelled, or fail to be recommissioned due to factors beyond its control.[355] As part of the December consultation we used data on previous MoE spend to conduct a hypothetical assessment of the impact that the loss of high-tariff programming might have on C4C's MoE spend for 2022, and found that the loss of a single high-tariff programme such as *Screw* or *Derry Girls* could have a significant impact on C4C's ability to meet its overall MoE quota.[356] The loss of a single high-tariff programme in a particular nation would therefore have a significant impact on C4C's ability to meet a more granular nations quota. We said in the July consultation that such constraints could lead to C4C commissioning programmes to fill a quota, rather than because they represented the best ideas. We continue to believe that nations-specific quotas would limit C4C's flexibility in commissioning and could work against its ability to deliver its *Fast Forward* strategy, and that this would not be of benefit to UK audiences.

5.207 There are differing views about whether there is sufficient capacity in each of the nations for C4C to meet the demands of nation-specific quotas at the same time as delivering its new commissioning strategy. For example, Pact presented data that it had commissioned from

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[354] Screen Scotland response to the July consultation, p. 8.
[355] C4C further thinking on outside London quota, September 2023, p. 3.
[356] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 66.

O&O which showed that the number of production companies in the nations had generally increased over time, which Pact suggested indicated that there is a steady supply of companies for C4C to commission from.[357] The data also showed that more companies have had commissions in the nations over time, while the average number of hours per company has decreased. Pact argued that this indicates that there is sufficient capacity for more production.[358]

5.208 On the other hand, drawing on data from the Broadcast Indie Survey, C4C argued that smaller independent production companies represented a higher proportion of the top companies in the nations and regions than in London. While C4C acknowledged that turnover is only a proxy of production companies' capacity, it suggested that it is at least partially indicative of capacity to produce content in higher-tariff genres which will be crucial to the successful delivery of its digital strategy.[359]

5.209 C4C also restated its view that it is more challenging to commission in the nations and regions because scale is more dependent on individual commissions, rather than established production bases, making it difficult to guarantee year-on-year stability and production resource. It noted that this is something that it is actively working to improve; citing initiatives such as the Indie Growth Fund and Emerging Indie Fund as providing evidence of this.[360]

5.210 We note Northern Ireland Screen's point that capacity constraints in Northern Ireland could be mitigated by the fact that regional productions can be made by London-based companies as long as they meet the qualification criteria. However, evidence from our Made outside London registers shows that of the titles allocated by Channel 4 to Northern Ireland since 2019, only one production (in 2021) did not meet the substantive base criterion.[361]

5.211 We disagree with the point made by Screen Scotland and the BFI that Channel 4's public ownership means that it should have individual nations quotas set at a level broadly comparable to population share. Ofcom is specifically required under Schedule 2 to the BBC Agreement to set the BBC quotas for production in the individual nations. There is no such statutory requirement in relation to Channel 4 or the other commercial PSBs. The BBC's UK Public Services are funded through the licence fee and its activities are constituted under a Royal Charter. Given its funding model and Charter, the BBC is rightly subject to considerably more obligations than the other PSBs.

5.212 Some stakeholders linked setting nations-specific quotas with Ofcom's new growth duty. We would note that this duty applies at UK level. Whilst we "may also consider other aspects of economic growth, or other objectives that relate to economic growth, such as the desirability to foster regional growth or support SME development",[362] we do not have a specific duty to promote economic growth in the nations but to consider it in the round. We do not have any evidence to suggest that overall, UK growth would be promoted by individual nations quotas, rather than the current position of an aggregate quota for production outside of England.

[357] Pact response to the December consultation p.15.
[358] Pact response to the December consultation p.4, 16, 20 and in annexed Channel 4 Nations and Regions quotas report prepared by O&O.
[359] C4C's April information request response, Annex 2, p. 8.
[360] C4C's April information request response, Annex 2, p. 9.
[361] Source: Ofcom/broadcasters. Historic MOL registers can be found in our PSB Annual Compliance Report.
[362] Department for Business and Trade, Growth Duty: Statutory Guidance – Refresh, 21 May 2024, p. 12.

5.213 We acknowledge that, given the relative scale of the production sector in the different nations, production by Channel 4 may not increase at the same rate in each nation or be evenly distributed, and we recognise the specific concern of stakeholders in Northern Ireland that C4C is not delivering what they consider to be an appropriate level of investment in the Northern Ireland production sector. We have therefore decided to increase our monitoring of Channel 4's performance through our SMCP Report process and to provide guidance that C4C should set out in its SMCP each year its commissioning strategy within each nation.

5.214 To Northern Ireland Screen's point about C4C's broader contribution to the production sector in the nations beyond quota delivery, supporting the development of people with creative talent is an important element of C4C's remit, which we monitor through our annual SMCP Reports. We consider that C4C has provided evidence of its commitment to driving forward this objective, particularly in relation to the nations and regions. C4C has announced that it will double its investment in its initiatives around training and skills from £5m to £10m by 2025.[363] We would like to see C4C do more to report on the impact of schemes such as the Emerging Indie Fund, launched in 2020 for independent production companies in the nations and regions to compete for access to funding, support and commissioner contact time.

5.215 As we have set out in para 5.129 above, an important part of C4C improving its delivery in the nations is strengthening access to commissioners for producers based in the nations. As part of the additional information that we will be asking C4C to publish on an annual basis, C4C will need to set out how its approach to commissioning outside of England supports and stimulates the TV production sector in the nations, and this should include how it is enabling access to commissioners (see para 5.234).

5.216 Although we have decided not to set nation-specific quotas, we have decided to retain the requirement that in each calendar year MoE spend must be referable to production centres in Scotland, Wales and Northern Ireland. This ensures that C4C cannot meet its quota in only one or two of the nations, and that each year it must contribute spend to production centres in each nation. This is an enforceable part of the licence condition. We also use our annual SMCP Report to track the level of spend in each nation, and to improve transparency regarding how C4C is delivering in the nations.

Timing

5.217 A number of respondents disagreeing with our proposal that a 12% quota should apply from 2030 did so on the basis of the report Pact commissioned from O&O to look at how C4C could comply with a 12% quota from 2027.[364] We have reviewed the analysis by O&O. As set out below, our assessment is that the conclusions drawn in the report are based on assumptions that are not correct about how quickly Channel 4 could increase its delivery outside of England. Based on this we disagree with the views of stakeholders who have drawn from Pact and O&O's analysis that a 12% quota could be met sustainably from 2027.

5.218 It appears to us that O&O assumed that the increase to 9.7% MoE spend in 2022 and 10.9% in 2023 was driven by greater spending outside of England. In its analysis, O&O estimated

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[363] Webpage: Channel 4 targets new wave of investment into overlooked founders.
[364] BFI response to the July consultation, p. 4-8; Creative Wales response to the July consultation, p. 1; Northern Ireland Screen response to the July consultation, p. 3-4; Pact response to the July consultation, p. 3-5, 11-14; Screen Scotland response to the July consultation, p. 10-18.

£44m spend outside England in 2022 and £45m in 2023. However, this was not the case. Total qualifying spend did not increase to the extent estimated by O&O in 2022 or 2023 - the actuals were £[✂]m and £[✂]m. Instead, the increase in the proportion of qualifying spend outside of England was driven by overall qualifying spend declining whilst nations spend remained relatively flat. For these trends to continue, and 12% to be exceeded as a result, C4C would have to keep nations spend flat whilst reducing spend in England. We do not consider this to be a desirable outcome.

5.219 Secondly, Pact also used O&O's analysis to argue that we had overestimated the difficulty of C4C moving programmes from London and that we had put too much weight on C4C's argument about the importance of returning series. For example, Pact said that "new commissions account for a higher share of commissions in London than outside, indicating that C4C could divert some of their spend on new London commissions to the nations, rather than moving returning series or substantially increasing the content budget".[365]

5.220 We do not consider that the base number of commissions is the most relevant metric, as there could potentially be a lot of new commissions in London which may not be high spend or high volume commissions, and therefore may not have a significant impact on quota performance.

5.221 Whilst we do not have detailed information on programme spend for commissions that do not qualify as being made outside of London, we do hold information on the life cycles[366] of Channel 4 programming in terms of hours. This data shows that the concept of programme life cycle is complex, since new commissions could include one-off programmes or mini-series, such as current affairs and documentaries. It is also not clear where core scheduling such as soaps and sports coverage such as Formula 1 highlights sit. By our definitions, we do not see a significant difference in new commissions between London and outside of London in terms of hours, and we see a larger proportion of new series in the nations. In 2022, approximately 24% of hours qualifying as Out of England were new series, versus 11% of London hours. This suggests that fewer new London-based commissions would only influence quota outturn to a limited extent.[367]

5.222 As shown in the table below, C4C's performance against the quota has fluctuated over the current licence period and we would expect the same to be true in the next licence period.

Figure 3: Channel 4 delivery of the MoE quotas over the licence period

Quota	2014	2015	2016	2017	2018	2019	Quota	2020	2021	2022	2023
Made outside England											
3% hours	6.1%	9.1%	9.2%	12.1%	10.1%	11.2%	9% hours	11.7%	9.8%	9.1%	10.6%
3% spend	6.0%	7.4%	8.4%	9.5%	7.8%	7.9%	9% spend	9.4%	9.4%	9.7%	10.9%

[365] Pact response to the July consultation, p. 3.
[366] 'Programme life cycle' indicates the longevity of a programme or strand. We classify a brand new series airing for the first time (with potential to be recommissioned) as "new", a recommission of an existing series as "returning", and a short series that is not expected to return as a "miniseries".
[367] Source: Ofcom/Channel 4. We have defined "new series" as commissioned strands which have never been shown previously. We have excluded mini-series and one-off programmes.

Source: Ofcom/C4C

5.223 C4C has shared with us its current forecasts for overall spend and for spend outside England for the next 3 years, based on its 2024 three year plan (figure 4).[368] This data shows that its forecast delivery outside of England, based on committed and uncommitted spend,[369] will be [✂]% of overall qualifying spend in the period 2025-2027. In this period, C4C will continue to operate with reduced budgets whilst developing its commissioning strategy, which will see investment increasingly focused on fewer, high-impact productions and particularly a higher proportion of scripted productions.[370] C4C has written to us, telling us that while its plans beyond this 3-year horizon are less certain, it will strive to achieve 12% MoE hours and spend by 2028. It reiterated that it "strongly believed that this should not be formally written into the licence given the uncertainty and the significant changes that Channel 4 is making to its commissioning approach as part of [its] transition to becoming a digital first public service streamer". We have published C4C's letter alongside this statement.

Figure 4: C4C's current forecasts for nations and regions quota performance from 2024 three year plan (subject to change)

	2025	2026	2027
Total first run UK qualifying originations spend	£[✂]m	£[✂]m	£[✂]m
Total regional production spend *(% overall qualifying spend)*	£[✂]m *([✂]%)*	£[✂]m *([✂]%)*	£[✂]m *([✂]%)*
Total qualifying nations spend *(% overall qualifying spend)*	£[✂]m *([✂]%)*	£[✂]m *([✂]%)*	£[✂]m *([✂]%)*
Committed spend	£[✂]m	£[✂]m	£[✂]m
Uncommitted spend	£[✂]m	£[✂]m	£[✂]m

[368] C4C's October 2024 information request response, p. 1-2.
[369] 'Committed spend' is content that has been fully approved internally within C4C. 'Uncommitted spend' is a mixture of allocations for returning series that have not yet been formally commissioned or funds for brand new shows to be broadcast during the relevant year.
[370] C4C's July 2024 information request response, p. 10.

	2025	2026	2027
Est. increase needed to deliver 12% ***(+ percentage increase on current forecast nations total spend)***	£[✂]m *(+[✂]%)*	£[✂]m *(+[✂]%)*	£[✂]m *(+[✂]%)*
Total qualifying regions spend ***(% overall qualifying spend)***	£[✂]m *([✂]%)*	£[✂]m *([✂]%)*	£[✂]m *([✂]%)*
Committed spend	£[✂]m	£[✂]m	£[✂]m
Uncommitted spend	£[✂]m	£[✂]m	£[✂]m

Source: C4C

5.224 Taking into account all the analysis above, we do not consider that it is reasonable to expect that C4C could deliver 12% quotas from 2027. We remain of the view set out in the July consultation that, given its financial situation and broader market uncertainty, and the need for C4C to focus on accelerating its digital transformation while ensuring its output meets the needs of audiences, a five-year adjustment period is reasonable.

5.225 However, we acknowledge stakeholders' desire to see an increased quota in place sooner than 2030. We said in the July consultation that we expected C4C's investment in MoE programming to increase over the period between 2025 and 2030 in preparation for the higher quotas from 2030 and that we would use our annual SMCP Report to assess its progress. We remain of the view that to meet the quotas sustainably from 2030, C4C's investment outside of England will need to increase from 2025 onwards. Given the fluctuation in its performance year on year, to be sustainably reaching quotas of 12% from 2030 it will need to have started to reach that level at least a couple of years earlier, which is consistent with C4C's latest position.

5.226 Screen Scotland understood that we proposed 12% quotas should apply from 2030 because that is the anticipated end point of C4C's *Fast Forward* initiative.[371] This is not the case – our position in the consultation was that the date from which any increase to the quotas applied should allow time for C4C and the wider sector to shift its commissioning focus, as well as taking into account C4C's financial and commercial position.[372] We still consider these to be the relevant considerations.

5.227 We disagree with the argument that the fact that productions may be funded by multiple parties is a relevant factor as also argued by Screen Scotland. When determining delivery

[371] We would also note, to Screen Scotland's response, that *Fast Forward* only launched in 2024. A date of 2027 would therefore represent year 3 not year 7.

[372] Ofcom, Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, 19 July 2024, p. 29.

against the quotas, broadcasters are only able to base returns on their own direct expenditure, and as such, third-party funding is always excluded from such calculations.

5.228 Screen Scotland suggested that Ofcom does not at this point set the MoE quotas for C4C across the full ten years to 2034, but instead that we review them in 2027. We are concluding now on the appropriate level for the licence period. It is important for C4C and the sector to have certainty about the condition. However, we agree with Screen Scotland that it is sensible to continue to monitor any relevant external factors and their impact on both C4C and the wider broadcasting and production sector over the next licence period. We will do this in the first instance through our annual SMCP Report.

5.229 We note Pact and C4C's representations that the quotas will change following the implementation of the Media Act. We will consider this as part of our work implementing the Media Act. We are setting a new Channel 4 licence now under the current statutory framework. As we set out in our Roadmap, implementation of the Media Act will require future changes to all the commercial PSB licences, including Channel 4's. We will be consulting on these changes early in 2025.

Guidance for C4C on how it should report on its MoE production in its SMCP (Statement of Media Content Policy).

5.230 We welcome the fact that most stakeholders who engaged with our consultation agreed that we should ask C4C to publish more information about its approach to delivery in the nations and the impact that this may have on both producers across the UK and the audiences that it needs to attract to its content.

5.231 As noted above stakeholders have raised serious concerns about C4C's engagement with the production sector outside of England. Decisions about where commissioning teams are based is a matter for C4C, however we recognise that there is significant dissatisfaction among stakeholders in the nations as regards access to commissioners. It important that C4C is much more open and transparent about its activities in the nations, publishes more information on its approach to commissioning, and that it takes steps to build stronger relationships with the production sector in each of the nations.

5.232 C4C is required under section 266 of the Act to publish an annual statement of programme policy setting out its proposals for securing that, during the following year, Channel 4's public service remit and licence obligations will be delivered, including its MoE quotas. It must do this having regard to Ofcom guidance. In our guidance we ask C4C to combine this statement with its annual statement of media content policy under section 198B of the Act and we refer to the combined document as C4C's Statement of Media Content Policy (SMCP).

5.233 We will consult on new guidance later this year as part of our implementation of the Media Act. That guidance will come into force when the PSB licences are varied to implement the Media Act. To respond to stakeholder concerns, in the interim we will write to C4C with further guidance on what we expect it to set out in the SMCP on its approach to commissioning in each individual nation.

5.234 We will ask C4C to set out:

a) how its approach to commissioning outside of England supports and stimulates the TV production sector in the nations, including how it enables access to commissioners;
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.

5.235 As is the case currently, during the period between 2025 and 2030 C4C will report on its progress towards the new proposed quota year-on-year, in terms of the proportion of hours and spend allocated to the nations. We will continue our monitoring of this and scrutinise C4C's progress towards meeting the higher quotas via our annual SMCP Reports. We will discuss with C4C whether additional metrics should be added to its new reporting and measurement framework that will provide a more accurate and insightful evaluation of the impact of its involvement in production across the nations. Additional reporting to relevant devolved committees could increase transparency around C4C's commissioning strategies in the nations.

5.236 The additional information from C4C will provide greater transparency and enable us to better scrutinise C4C's performance and strategy for production in the nations and report on this in the SMCP Report. We will also continue to monitor C4C's spend in the nations closely.

5.237 In the letter that we have published alongside this statement, C4C said that it was mindful that Ofcom will expect to see meaningful progress from Channel 4 over the coming years and we it committed to providing Ofcom with the information it requires to monitor and publicly report on Channel 4's progress towards delivering this target via our annual SMCP Report.

Our decision

5.238 Having considered responses to our proposals, we have decided to increase the level of Channel 4's MoE quotas from 9% to 12% from 2030. This represents a continuation of a significant increase since 2019 when the quota levels were 3%. An increase of this scale implemented sustainably will benefit audiences and the production sector in the nations and will be achievable for C4C. We consider that increasing the quota to 12% strikes an appropriate balance between continuing to secure C4C's investment in distinctive UK content that appeals to a broad range of audiences across the UK and allowing it flexibility to develop its content and distribution strategy in support of its digital transformation.

5.239 We have decided that the 12% quotas will apply from 2030 as we consider that this is an appropriate length of time to allow C4C to ensure that it is sustainably meeting higher enforceable quotas. Whilst we do not think it is appropriate to set interim quotas of between 9% and 12% in the period before 2030, we expect C4C's investment in programming outside England to increase over the period between 2025 and 2030 in preparation for the higher quotas from 2030 and will use our annual SMCP Report to assess its progress.

5.240 We have decided to provide guidance to C4C that it should set out annually in its SMCP its approach to commissioning in each nation (see para 5.234 above). This greater transparency and clarity from C4C will benefit the wider industry and allows us to better hold it to account for setting out and delivering on a clear strategy for production outside England.

Schools programming

New licence conditions

We will remove this condition from the renewed licence.

Summary of the consultation proposals and reasoning

Retain the schools programming quota at 30 minutes

5.241 In the December consultation we proposed retaining the requirement for 30 minutes of schools programmes in each calendar year for now. We said that the Media Act would remove the statutory provision for the schools programming quota and that when that legislation was in force, we would remove the quota.

Stakeholder comments

5.242 Stakeholders who responded agreed with our proposal to retain the schools programming quota at 30 minutes, and to remove it when the Media Act came into force.[373]

5.243 C4C said that informing and educating younger audiences would continue to be a key part of its strategy over the next licence period.[374]

5.244 Dr Phil Ramsey said that C4C should be monitored across its non-linear activities in terms of the ways it provides content for school age children for example through our SMCP Reports.[375] Pact agreed with our proposal but made it clear that it remains concerned about the state of the children's production sector.[376]

Our response

5.245 We agree with Dr Phil Ramsey that it will remain important to monitor how C4C continues to provide content for school age children in line with its media content duties. Monitoring C4C's provision for older children and young adults is a key part of our annual SMCP Report.

Our decision

5.246 Given that the Media Act has now passed and the provision removing the requirement for Ofcom to set a schools programming quota has been commenced, we will remove this quota from the renewed licence.[377]

[373] C4C response to the December consultation, p. 27; Creative Wales response to the December consultation, p. 5; Directors UK response to the December consultation, p. 8; Dr Phil Ramsey response to the December consultation, p. 5; ACNI response to the December consultation, p. 6; ACS response to the December consultation, p. 8; Pact response to the December consultation, p. 22; Richard Langworthy response to the December consultation, p. 2; VLV response to the December consultation, p. 9.
[374] C4C response to the December consultation, p. 27.
[375] Dr Phil Ramsey response to the December consultation, p. 5.
[376] Pact response to the December consultation, p. 22.
[377] Section 16 of the Media Act came into force on 23 August 2024, repealing section 296 of the Act.

Independent productions

New licence conditions

At least **25%** of the total amount of time allocated to the broadcasting of qualifying programmes in the Channel 4 service shall be allocated to the broadcasting of a range and diversity of **independent productions.**

5.247 Section 277 of the Act requires Ofcom to include conditions in the licences of the public service channels that Ofcom considers appropriate for securing that, in each year, "not less than 25 per cent of the total amount of time allocated to the broadcasting of qualifying programmes included in the channel is allocated to the broadcasting of a range and diversity of independent productions".[378]

5.248 'Independent productions'[379] means any qualifying programme[380] made by an independent producer. An independent producer is one not tied to a UK broadcaster by significant common ownership. It is a producer: i) not employed by a broadcaster; ii) which does not have a shareholding greater than 25% in a UK broadcaster; and iii) in which no single UK broadcaster has a shareholding greater than 25% nor any two or more UK broadcasters have an aggregate shareholding greater than 50%.

Summary of the consultation proposals

Retain the independent production quota at 25%

5.249 In the December consultation we explained that the minimum quota level, as set out in section 277 of the Act, could only be amended by legislation and that when the Media Bill was introduced to Parliament on 8 November 2023, the Secretary of State announced that the level would be increased from 25% to 35% as part of a package of mitigations intended to ensure that Channel 4's role in driving investment in the independent production sector would be safeguarded if it decided to develop its own production capability.[381] We said we were renewing the licence under the current statutory framework and would implement this change once it is in force.

5.250 We provided analysis showing that C4C had significantly exceeded the independent production quota level over the current licence period, and proposed that the existing licence condition, requiring at least 25% of qualifying programme hours to be independent productions, remains appropriate.

Stakeholder comments

5.251 C4C supported our proposal to retain the existing licence condition. In its response to the December consultation, it said that it "welcomed the Government's package of mitigations to ensure that future potential commercial flexibility for C4C is balanced against the requirements of the independent TV productions sector". It also noted that any move it

[378] Section 277 of the Act.
[379] Defined in the Broadcasting (Independent Productions) Order 1991.
[380] Qualifying programmes are programmes which have not previously been shown in substantially the same form on the relevant service and they exclude certain types of programmes, in particular news.
[381] Written ministerial statement made by Lucy Frazer, Secretary of State for Culture, Media and Sport on 8 November 2023. Webpage: statement.

might make into in-house production would be a gradual change, and that it would "take the utmost care to avoid market shocks that would unduly impact [its] independent production partners".[382]

5.252 Most of the stakeholders who responded agreed with our reasoning to retain this quota at 25%, on the basis that we were renewing the licence under the current statutory framework. Stakeholders also agreed that the quota should be set at the higher level of 35% if C4C begins producing programmes in-house.[383]

5.253 Some stakeholders put forward the view that 50% should be the "true minimum target" for Channel 4, even if the licence condition is officially set at 35%. They argued that C4C focusing on large, non-qualifying production companies could potentially go against its duty to foster the growth of the independent production sector.[384]

Our response

5.254 In response to Screen Scotland and Creative Wales's argument that C4C could be going against its duty to foster the growth of the independent production sector, C4C does not have a specific statutory duty to support the development of the independent production sector (outside of the aims of the quota which applies to all PSBs). It does, however, have a duty to support the development of people with creative talent and we will continue to monitor C4C's performance of this duty via our annual SMCP Report.

5.255 We consider that C4C has performed well in this area since 2018 by continuing to work with a wide range of suppliers, some for the first time, and in this way has demonstrated its commitment to supporting the independent creative sector in the UK. In 2023, across film, digital and TV, C4C worked with 317 content suppliers of which 167 were qualifying independent producers.[385]

5.256 We understand that the potential for C4C to enter into in-house production remains an area of concern for the wider sector. We have committed to scrutinising the impact of this and will clearly outline how we will do so if C4C moves into production. In addition, the Media Act specifically requires us to conduct a review of the impact on the fulfilment of the PSB remit of C4C making programmes with a view to their being broadcast on Channel 4.[386]

Our decision

5.257 As we are renewing the licence under the existing legislative framework, we have decided to retain the quota at its current level of 25%.

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[382] C4C response to the December consultation, p. 28.
[383] ACS response to the December consultation, p. 8; Directors UK response to the December consultation, p. 8; Pact response to the December consultation, p. 23; Scottish Government response to the December consultation, p. 6; TAC response to the December consultation, p. 4-5; VLV response to the December consultation, p. 10.
[384] Creative Wales response to the December consultation, p. 4; Screen Scotland response to the December consultation, p. 10-11.
[385] Channel 4 Television Corporation Annual Report and Financial Statements 2023, p. 71.
[386] Under section 31(3) of the Media Act 2024 we are required to do this in our first PSB review covering a period that ends three years after C4C engages in the making of a programme with a view to its being broadcast on Channel 4.

Length of the licence

New licence conditions

The licence period is set at **ten years**, starting on 1 January 2025 and ending on 31 December 2034.

5.258 Section 231 of the Act provides that Ofcom must determine the length of the renewed licence, which will run "for such period as Ofcom may think fit".

Summary of the consultation proposals

A ten year licence period

5.259 In the December consultation, we proposed renewing the licence for a period of ten years, beginning on 1 January 2025 and ending on 31 December 2034. This was in line with C4C's request where it expressed a strong preference for a ten-year licence; it said this "would provide C4C with sufficient certainty and flexibility to deliver on its remit, and on its long-term strategic objectives to drive digital growth and new revenues.[387]

5.260 We asked C4C for a business plan to support its preferred licence duration of ten years, which we then scrutinised.[388] We concluded that its business plan indicated it could deliver its remit over the proposed ten-year period.[389] We said that relatively small changes in C4C's revenue, the advertising market, and its total operating costs, could cumulatively have a significant impact on total revenues over the lifetime of the licence, and therefore on C4C's surplus/cash balance. We also said that there was scope for C4C to underperform against its forecast and still remain sustainable, however there was a significant degree of uncertainty and that C4Cs' forecast and business plan were not without risk.

5.261 In the December consultation we looked at whether changing the level of obligations as we proposed would significantly impact the sustainability of a ten-year licence period and found our proposals to maintain the MoL and MoE quotas at their current levels and reduce the original productions quota would provide additional flexibility for C4C to follow its audience as it migrates to digital. We also said that our proposals would provide C4C with some flexibility over its costs and that this would help reduce the risk of C4C being unable to deliver its licence obligations.[390]

5.262 We set out our view that a ten-year licence would provide consistency with the terms of the other commercial PSB licences (i.e. Channels 3 and 5) and the DTT multiplex licences,[391] all of which are due to expire in 2034. We thought that it was sensible to continue to align the expiration of these licences, as this would provide Ofcom with the opportunity to conduct a comprehensive assessment of the licences in 2034 should this be required.

[387] Channel 4 Licence Renewal: Submission to Ofcom, May 2023, p. 4.
[388] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 77-79.
[389] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 79.
[390] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 74-79.
[391] Digital terrestrial television (DTT) allows us to bundle a number of television services into what is known as a multiplex. There are six national multiplexes identified as 1, 2, A, B, C and D. Ofcom regulates the licensees for all of these national multiplexes with the exception of multiplex 1, which is regulated under the BBC Charter and Agreement.

5.263 We also considered licence durations of less and more than ten years. We provisionally concluded that a shorter licence would provide less certainty and financial stability for C4C than a ten-year licence, which would not be in the best interests of audiences. We did not consider a longer licence duration would be appropriate given we could not reliably forecast viewing, advertising trends, or C4C's financial position beyond a ten-year period. We therefore proposed that a ten-year licence was most appropriate.[392]

5.264 In the July consultation we updated our financial analysis to account for a) C4C's latest three-year business plan and b) the impact of our proposal to increase the MoE quota from 9% to 12% from 2030. We also asked for further information[393] in connection with the updated business plan. As set out in the July consultation, C4C's reforecasts showed that the starting point for its revenue forecasts was 5% lower due to lower actual revenues in 2022 and 2023, which meant there was a reduction in content spend in the same period. As a result, the revised expected surplus for the current licence period was 30% below that presented in its May 2023 submission.

5.265 Our analysis indicated that if C4C could implement its *Fast Forward* strategy and obtain the costs savings set out in the further information provided to us, it could support the content budgets set out in its May 2023 submission.

Stakeholder comments

5.266 Most stakeholders agreed that ten years was the appropriate length for the new licence, given the financial projections provided by C4C and the analysis and evidence that we set out.[394] C4C confirmed its preference for a ten-year licence.[395] Directors UK agreed, noting that a ten-year licence gives C4C and stakeholders some degree of stability for planning and investment purposes.[396]

5.267 Ofcom's Advisory Committee for Northern Ireland and Ofcom's Advisory Committee for Scotland agreed with a ten-year licence but suggested a midpoint review.[397] Screen Scotland similarly agreed with a ten-year licence but said a mid-term review would allow Ofcom and stakeholders to check progress and make any necessary adjustments given the current pace of change across the broadcasting sector.[398] Pact agreed in principle that the licence should be renewed for 10 years with the provision of being reassessed once the Media Bill (now Act) receives Royal Assent.[399]

5.268 Some stakeholders expressed a preference for a five-year licence. Creative Wales[400] and TAC[401] both said that a five-year duration would enable a timelier evaluation of the licence's relevance, considering the dynamic nature of the broadcasting sector. They also said that

[392] Ofcom, Channel 4 Licence Renewal: Consultation, 6 December 2023, p. 79.
[393] C4C's April 2024 information request response, Annex 1.v.
[394] Richard Langworthy response to the December consultation, p. 3; Name Withheld 2 response to the December consultation, p. 2; Dr Phil Ramsey response to the December consultation, p. 5; Scottish Government response to the December consultation, p. 7; VLV response to the December consultation, p. 10;
[395] C4C response to the December consultation, p. 29.
[396] Directors UK response to the December consultation, p. 9.
[397] ACNI response to the December consultation, p. 7; ACS response to the December consultation, p. 8.
[398] Screen Scotland response to the December consultation, p. 11.
[399] Pact response to the December consultation, p. 23.
[400] Creative Wales response to the December consultation, p. 2.
[401] TAC response to the December consultation, p. 5.

this approach would empower Ofcom to set more ambitious original production and MoL production quotas.

Our response

5.269 As set out in this statement, C4C faces challenges in attracting and growing audiences over the next licence period. Viewing of broadcast television will continue to decline, particularly among younger age groups. Global streaming services and social media platforms will continue to compete heavily for that audience. C4C's sustainability as a PSB is dependent on maximising opportunities to attract new audiences, and continuing to innovate in how it serves existing audiences, by moving away from its linear delivery model to a digital-first one, as set out in its *Fast Forward* strategy.

5.270 C4C provided an updated business plan in connection with the July consultation.[402] The updated business plan comprised an updated three year plan (to 2026) and an updated ten year revenue forecast (to 2034). The updated three year plan showed that in 2026, C4C expected its overall cash surplus to be broadly in line with that set out in its May 2023 submission (£[✂]m vs £[✂]m). The updated ten year revenue forecast showed that by the end of the proposed ten year licence period, overall revenue was still projected to be in line with that set out in its May 2023 submission. C4C's updated business plan demonstrates that it continues to believe it can sustain the proposed licence for the proposed ten year term.

5.271 C4C's *Fast Forward* strategy aims to "get Channel 4 into the right shape and place for the 2030s"[403] and we remain of the view that a ten-year licence would give C4C and the production sector an appropriate level of stability and is consistent with the terms of the other commercial PSB licences (i.e. Channels 3 and 5) and the DTT multiplex licences, which are due to expire in 2034.

5.272 We do not consider a five-year licence to be appropriate. In terms of revenue, a shorter licence period would reduce the certainty of C4C's future income streams which may reduce the confidence of its bankers and suppliers, whilst on the programming side it may not provide C4C with an adequate planning horizon for commissioning the types of high impact programmes it needs to broadcast in order to deliver its digital strategy.

5.273 We do not think that it is appropriate to introduce a mid-point review of the licence and the legislation does not provide for that. However, we will continue to monitor Channel 4's delivery of its licence conditions through the performance assessments we conduct as part of our five-yearly PSM reviews, and the annual SMCP Report.

5.274 Since Pact provided its response, the Media Act has achieved Royal Assent. As we set out in our Roadmap, implementation of the Media Act will require future changes to all the commercial PSB licences, including Channel 4's. We will be consulting on these changes early in 2025.

Our decision

5.275 We have decided to set the licence period at ten years, starting on 1 January 2025 and ending on 31 December 2034.

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[402] C4C's April 2024 information request response, Annex 1.v.
[403] Webpage: Fast Forward strategy.