

Channel 4's response to Ofcom's Review of Regional Production and Programming Guidance.

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1. Executive Summary

Channel 4 is committed to making a significant and meaningful contribution to talent, independent production companies and audiences in the Nations and Regions, so that the full economic and cultural benefits of TV commissioning are realised right across the UK. We welcome Ofcom’s review and believe that it provides an important initial opportunity to consider how the regional production criteria and guidance are working in practice.

Channel 4’s work in the Nations and Regions

Making a judgement as to the effectiveness of the criteria first requires an understanding of the ways in which PSBs are working with in the Nations and Regions and how that work is evolving.

- As a publisher broadcaster with a focus on UK content commissions, our investment in content is the biggest economic contribution Channel 4 makes to reflecting and supporting the UK’s Nations and Regions.
- For some time, Channel 4 has been working hard to increase this investment and to nurture production centres outside of London and create sustainable, long term growth in the Nations and Regions.
- Since the “*Regional TV production and programming guidance*” was introduced in 2004 not only has our total spend on main channel first run originated content (excl. news)¹ grown significantly from £353m in 2005 to £407m in 2016, but the percentage of this spend which comes from the Nations and Regions has grown from 31% in 2004 to 40% in 2016.
- This delivery against these Ofcom quotas – which only apply to the main channel – is just one element of our wider work in the Nations and Regions which has a much broader impact and includes our regional investment in content for E4, More4 and All4, digital content and considerable Film 4 spend, as well as the investment in development work, talent and skills programmes in the Nations and Regions.
- To date our broader strategy has had a significant impact and we have spent £1.5bn in the Nations and Regions over the last ten years, consistently exceeding our licence requirements.
- Since the guidance was introduced in 2004 our spend in the Nations and Regions has increased by almost 50% and more than £50m, from £116m in 2005 to £169m in 2016 and rose further again in 2017².
- This includes increasing our portfolio spend outside of England more than fourfold, from £8m in 2005 to £36m in 2016.
- This commissioning spend supports 3,000 jobs across the Nations and Regions.

¹ As per the Ofcom licence requirements for Nations and Regions production on the licenced PSB channels.

² Our 2017 results have not yet been published.

In order to achieve this growth Channel 4 has created a holistic package of funding, support and talent development initiatives led by our Nations and Regions team in Glasgow. This includes:

- Providing Alpha Funding and bespoke support for small and emerging production companies;
- Working to address regional skills and training needs, including around post-production;
- Using our Growth Fund to help medium-sized companies grow to scale;
- Strengthening relationships between Channel 4 commissioners and production companies outside of London;
- And supporting the meaningful relocation of London-based companies and their commissions.

This strategy has been highly effective, with our Growth Fund companies more than doubling their turnover in 2016 and every £1 of Alpha Funding invested generating around 5 times that in commissions for regional production companies.

Our 4 All the UK Strategy

We want to go further, and build on the momentum which we have achieved. That is why, in March this year, we announced our new '4 All the UK' strategy which is the biggest change to the structure of the organisation in its 35-year history. It will ensure that Channel 4 is serving the whole of the UK, significantly boosting jobs in the Nations and Regions and representation of all the UK on our television screens. The strategy is made up of a number of elements:

- At the heart of this strategy is a major new commitment from Channel 4 to significantly increase its Nations and Regions content spend from its current quota of 35% to a new voluntary target of 50% by 2023.
- This will result in a cumulative boost of over £250m in Channel 4's Nations and Regions commissioning spend and support up to 3000 additional jobs in the Nations and Regions economy.
- To support and catalyse this spend across the UK, Channel 4 will move to a multi-site operating model, establishing a new National HQ and two new smaller creative hubs in the Nations & Regions in 2019 – home to 300 jobs from across the business including key creative decision makers.
- Programme commissioning editors overseeing significant budget and with responsibility for some of Channel 4's biggest shows will be based across the three new creative hubs – alongside a variety of other creative and business functions.
- Enabling end-to-end regional production, and in particular supporting the growth of post-production in the Nations and Regions has historically been a challenge, but is something we are absolutely committed to and we hope these measures will help to drive this.
- Channel 4 News will also expand its footprint in the Nations and Regions opening new bureaux giving a huge boost to regional representation, aiming to become the first peak-time national news programme to co-anchor from outside of London.

This strategy was developed in the context of the current regional programming criteria and guidance system. Were there to be significant changes to Ofcom's approach we would need to review our ability to meet our 50% target and the timeframe in which we do so.

Assessing how the current system is working

- The Ofcom regional quota system was developed as an economic lever and a mechanism of industrial strategy to “support and strengthen production in the UK’s nations and regions”.
- When assessing how this system is working in practice it is important to keep that strategic objective in mind.
- Measured against this objective the evidence shows that they are working well.
- Since their introduction Channel 4’s production in the Nations and Regions has increased significantly, to a record £169m in 2016.
- We will see this pattern of growth continue further when we publish our 2017 Annual Report and our new ‘4 All the UK’ strategy will bolster and significantly build upon this sustainable, long-term growth.
- We have robust compliance procedures in place, externally reviewing productions where we have concerns and removing them from the out of London list if we are not satisfied they meet the criteria.

We believe this illustrates that on the whole the system is working well and that the three criteria achieve the right balance between promoting regional production and allowing both producers and broadcasters the flexibility to compete and thrive in a complex and changing production landscape.

This flexibility has been key to the success of the criteria to date and in a rapidly changing production market that flexibility is absolutely key to their continued success going forward.

In order to achieve the critical mass needed for long term, sustainable growth we must work with production companies of all sizes, spanning all genres, and support both indigenous companies in the Nations and Regions and London based companies who want to expand their footprint outside of London. The system must continue to allow for, and incentivise these different elements to growth.

However we recognise that it is important that the system has the confidence of the sector as a whole and we understand that over recent years some industry stakeholders have expressed concerns about how the system is working in practice.

Where issues have occurred or concerns have been raised these have largely fallen into one of three categories:

- 1) Questions around the purpose of the quotas and what they are trying to achieve – for example a focus on portrayal, or on solely indigenous production companies;
- 2) Questions of interpretation – the criteria are designed to provide important flexibility but this can cause issues if their application is not consistent;
- 3) And questions around reporting and transparency – such as the location of a substantive base, allocation of a region, whether compliance processes are robust enough and how complaints are dealt with.

With this in mind we do not believe that the definition needs to be fundamentally changed in order to meet the objective of stimulating more growth in the Nations and Regions. However a number of

steps can be taken to improve confidence in the system and ensure consistency of application and greater transparency around compliance and reporting:

- Ofcom should work with the PSBs and PACT to ensure regular dialogue around how the system is working in order to identify problems, foster greater consistency in application and facilitate the sharing of best practice. This could take the form of a working group and could also help to encourage greater collaboration around shared challenges such as training and retention in the Nations and Regions. It could also look at how expectations around the criteria are communicated to production companies and whether this can be improved in any way.
- Whilst we believe that broadcasters, followed by PACT, should always be the first point of contact about how the regional production criteria should be interpreted, we are aware that at times production companies are contacting various arms of Ofcom for clarification. We would like to work with Ofcom and the other broadcasters to ensure that where this happens there is a consistent approach.
- Ofcom should work with the PSBs to consider how the quality and transparency of reporting against the made outside of London quotas could be improved. This should look at both our own internal systems and to Ofcom's reporting procedures.
- Ofcom should ensure that there is a clear and timely process for dealing with any complaints about how the system is working.

Whilst the system may not be perfect, it has provided an effective means of simplifying and measuring what is actually a very complex picture around regional production. In doing so it has effectively incentivised PSBs to drive up regional production in a meaningful, long-term and sustainable way, as our own work over the last thirteen years shows.

There is a great deal that the quotas and the current criteria do not capture, including regional spend on productions that only meet one of the three criteria or do not meet any of them, regional content spend outside of the main PSB channels (in our case E4, More4, All4 only content, digital content and a large amount of Film 4 regional spend) as well as the investment in development work, talent and skills programmes in the Nations and Regions. It also cannot capture the long term legacy of regional productions which has been such a prevalent issue in debates.

Nonetheless, looking at the picture as a whole, we believe the current system continues to be the most appropriate and effective means of measuring regional production and continuing the considerable momentum that we are now seeing in driving the growth of end-to-end production in the Nations and Regions.

What's more, our experience suggests that even small changes to the system could have major implications for the sector which has been working with this system for some time and has developed plans and strategies for the future which are based around it.

The existing system and the work which supports it is considerably more complex than it may at first appear from the guidance and the published register. This means that what may sound like simple changes may actually have huge repercussions for both PSBs and production companies. It is therefore important Ofcom fully considers and evaluates the impact of any proposed changes on both the Nations and Regions and the broadcasting ecosystem as a whole.

More broadly, we know that sustainable, long-term growth across the UK requires all of the PSBs to work together to invest regionally and support the growth of companies and talent outside of the M25. At present there is a real momentum - not just at Channel 4 but at the other PSBs – behind driving up commissioning and production in the Nations and Regions in a meaningful, balanced and sustainable way. We believe this step change will see real results over coming years and that there is a strong argument for allowing these changes to take shape and come to fruition before making any significant changes to the system.

There is a risk that changes now could have the unintended and unfortunate consequence of disincentivising ambition or stalling this momentum rather than helping it to grow. It is vital that any alterations to the Ofcom system support this ongoing investment and measures to boost production and skills in the Nations and Regions, and incentivise further investment going forward.

2. Introduction

The ways in which PSBs have been working to drive long term growth in the Nations and Regions, and the ways in which this work is evolving to adapt to changes in the market, form an important background to the consultation and to our views on the effectiveness of the current system.

2.1 Channel 4's commitment to the Nations and Regions

Channel 4 is committed to making a significant and meaningful contribution across the Nations and Regions of the UK. Through the programmes, films and digital content we commission and broadcast, Channel 4 already makes a very substantial contribution to the Nations and Regions and we have been working to increase this over a number of years. We are unique as a PSB that is publically owned but completely commercially funded. That means we do not receive any funding from government but instead raise our revenue through advertising, operating on a social enterprise model that means all of our profits go back into programmes and the delivery of our remit. Unlike the BBC or ITV we do not make any of our own programmes but instead we are a publisher-broadcaster, commissioning all of our programmes from outside suppliers. As such, our main impact on the Nations and Regions is through our production spend and we make up 36% of all UK investment in independent production companies by Public Service Broadcasters (PSBs), a higher proportion than BBC1 and BBC2 combined. In 2016 Channel 4 worked with 317 companies across TV, film and digital media.

For a number of years we have had a presence outside of London. We have an office in Glasgow where our Nations and Regions team are based and a Manchester office where a 25 strong team of sales staff are responsible for UK agency and client relationships outside of the South East of England. The Manchester office also provides an open space with 15 hot-desks and meeting rooms for up to 60 people that is used by our creative, commercial and industry partners. However, as a publisher-broadcaster, investment in content – that is to say, where Channel 4 spends its money and on which kinds of programmes – is the biggest economic contribution Channel 4 makes to reflecting and supporting the UK's Nations and Regions. In the last decade Channel 4 has spent over £1.5bn on TV production in the Nations and Regions, with a record £169m spent in 2016, £36m of which was spent on production in the Nations. This money is spent commissioning from companies based all over the UK and external analysis commissioned by Channel 4 calculates that it supports 3,000 jobs.

Our activity is focussed on supporting long term, sustainable growth in the production sector outside of London. We have built on existing local strengths to create strong and sustainable production clusters: for example, factual production in Glasgow and drama in the North West of England. In order to achieve this we have undertaken a mixture of different activity including bespoke support for production companies through our Nations and Regions team, investment through our Alpha and Growth funds, a wide range of partnerships with academic institutions, funding agencies, skills bodies and industry bodies, and the work of 4Talent to promote our work experience placements, apprenticeships, Production Training Scheme and 4Talent Pop Ups which

take place across the UK. The impact of this work goes well beyond our delivery against the regional production quotas.

We work with production companies of all sizes, spanning all genres and this includes supporting both indigenous companies in the Nations and Regions and London based companies who want to expand their footprint outside of London. Long term, sustainable growth requires a critical mass and we believe that this broad, multi-faceted approach is the best way to achieve that. What's more, sustainable progress across the Nations and Regions, which drives end-to-end regional production, will be best served if all of the PSBs work together to invest regionally and support the growth of companies and talent outside of the M25.

2.2 Channel 4's delivery against our current obligations

As well as having a remit to appeal to the tastes and interests of a culturally diverse society and a model which requires us to commission all of our programmes from external suppliers, Channel 4 has an Ofcom licence obligation which requires a proportion of its output to be made in the Nations and Regions. This takes the form of a quota for 35% of first-run commissioned content (except news) on the main channel to be produced in the Nations and Regions of the UK. This quota applies to both spend and volume (number of hours) on Channel 4. Of this, 3% of programming (by hours and spend) must be produced in the devolved Nations. This quota will rise to 9% by 2020

Over the past ten years, Channel 4 has worked hard to increase Nations and Regions production spend and we have consistently exceeded our quotas. In 2016 (the latest year for which we have reported), 55% of qualifying hours and 40% of qualifying spend came from Nations and Regions productions. Across our portfolio this represented £169m spent on content. In addition, 2016 saw us achieve 9% of hours and 8% of spend in the Nations, with a record Nations spend of £36m, up by 24% year on year. Our 2017 results, which will be published shortly in our Annual Report, show this this pattern of growth continuing.

	2016 ³	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Main Channel OOL Spend £m	163.1	145.1	148.5	163.9	148.2	142.8	117.5	116.9	115.4	124.9	133.5	107.7
OOL % of main channel spend	40%	39%	42%	46%	41%	42%	39%	37%	32%	35%	37%	31%
Main Channel Nations Spend £m	34.3	27.7	21.0	20.7	19.6	14.4	13.4	8.7	5.4	6.9	9.8	7.5
Nations % of main channel spend £m	8%	7%	6%	6%	5%	4%	5%	3%	1%	2%	3%	2%
Portfolio OOL Spend £m	169.1	149.0	150.9	173.2	156.9	151.7	124.8	124.3	123.6	132.5	139.8	116.0
Portfolio Nations Spend £m	35.6	27.7	21.0	21.0	20.6	15.1	13.6	8.8	6.9	7.3	10.0	7.9

³ 2016 is currently the latest year for which we have published data. Our 2017 Annual Report will be published shortly.

Channel 4's commitment to meeting the spirit and the letter of its regulatory obligations also manifests itself in the fulfilment of the definition of a regional production. While productions are required to meet only two of the three qualifying criteria, in 2016 more than half (53%) of regionally qualifying productions met all three. This reflects Channel 4's extensive work with production companies that have an established regional base, as well as employing talent and putting production spend into projects in the Nations and Regions that will have a lasting legacy.

This is consistent with Channel 4's general view that, in seeking to develop long term sustainable growth in production in the Nations and Regions, it is more meaningful to work with production companies and talent with genuine roots and commitment to a given region than undertake a 'lift and shift' of production as a means of meeting the quota. However, there are positive examples of existing titles moving to Nations or Regions that go on to create centres of excellence, increased talent pool or a lasting legacy through growth and expanded development. We know this works particularly when supported by the Channel financially or creatively.

We are proud of our contribution to the Nations and Regions and we have always seen the quotas as a floor, not a ceiling, frequently surpassing them. And now, as part of our '4 All the UK' strategy we are voluntarily increasing our Nations and Regions content spend to 50% from 2023.

Our results to date have come about as a result of a very deliberate strategy to increase commissioning from the Nations and Regions. This has not been easy to achieve, requiring additional investment and commissioning resource. Given that Channel 4 is a publisher-broadcaster, we have sought to work in partnership with the production sector and to work towards long-term sustainable growth, building scalable production capability with a view to moving towards returnable, peak-time (and therefore higher value) commissions. Accompanying increasing levels of regional commissioning, there has been a considerable additional focus in recent years by the Channel 4 commissioning team on engaging with producers in the Nation and Regions. This is explained in more detail below.

2.3 Differences between Channel 4 and the other PSBs

Channel 4's unique model enables us to take risks on creative ideas and people that other organisations with different models might not. It also means that the way we work in the Nations and Regions - and meet our regional productions quotas – is different to the other main PSBs. Whilst programming produced in-house by the BBC's and ITV's regionally-based production arms (e.g. *BBC Breakfast* and *Blue Peter* by the BBC's Salford Studios, and *Coronation Street* and *Emmerdale* by ITV Studios, in Salford and Leeds) has counted towards their quota delivery, Channel 4 does not make any programmes in-house, and therefore has no in-house production arm outside of London to draw on. As such, we deliver our quotas solely by contracting with external suppliers outside of London. This means that, more than any other broadcaster, we are reliant on the quality and scale of the external production sector outside of London, and, in the case of our Nations quota, outside of England. As such, our work to deliver against our quota obligations involves much wider work to build the production sector outside of London and a key part of our approach has been through the work of our Nations and Regions team in Glasgow.

3. Our work in the Nations and Regions

3.1 Commissioning and production in the Nations and Regions

Channel 4 has a proactive strategy to increase our investment in the Nations and Regions and to help grow creative excellence across the UK. We have a dedicated Nations and Regions team, based in Glasgow, which is a strategic arm of the Channel 4 commissioning division. The team delivers a tailored programme of outreach work to support production companies from the Nations and Regions, particularly small and emerging businesses, through strategic input, partnership, and other bespoke support in order to help them win commissions. We also work with other broadcasters and partner organisations based across the country.

We work to grow indigenous companies in the Nations and Regions (many of which are SMEs) and help them build sustainable growth. In recent years, the Nations and Regions team's strategy has focused on developing regional companies of scale – escalating them from companies delivering single films into companies capable of winning and delivering returning series that will provide their businesses with scale and sustainability. This strategy is focused on facilitating contact between production companies and commissioners; seed-funding via our Alpha Fund; helping companies to reach scale through our Growth Fund, and investment in talent and skills development.

This strategy has been very successful - supporting companies such as Boomerang and Nimble Dragon in Wales; Duck Soup Films in Leeds; Firecrest and Raise the Roof in Scotland; Full Fat Productions in Birmingham; and Big Mountain Productions and Afro-Mic in Northern Ireland.

Many of Channel 4's biggest and most popular shows in 2016/17 were made by companies in the Nations and Regions, with nearly 70 new commissions across the English Regions alone. Notable successes include:

- *Ackley Bridge* – also produced by The Forge and filmed in Halifax, this is a new series which premiered in June 2017 and is set in Yorkshire. The programme features a cast made up, in part of children from schools in Halifax, opening up opportunities for up-and-coming talent to take their first step into acting. A second series will air in 2018.
- *Educating Greater Manchester* – The latest instalment of our BAFTA award winning documentary series filmed at Harrop Fold secondary school in Salford.
- *National Treasure* – a powerful drama made by The Forge, shot in Leeds.
- *Breaking the Silence: Live* – an innovative factual show from Leeds-based production company True North.
- *Steph and Dom's One Star to Five Star* (Wales' Blink Entertainment)
- *How to Stay Well* (Glasgow's Tern Television)
- *The World's Most Expensive Cars* (Northern Ireland's Waddell Media)

In 2017, our Nations and Regions team offered direct creative support to 180 companies in the Nations and Regions, going on to work regularly with 67 of those. The support comes in a number of forms, including working with their development team, giving advice, helping to shape ideas and

introducing them to Channel 4 commissioners. In addition, the Nations and Regions team provides development funding through our Alpha Fund.

3.1.1 The Alpha Fund

The Alpha Fund is a dedicated development fund which provides vital seed-funding aimed at supporting diverse and emerging production companies based in the Nations and Regions. The fund has helped transform the creative contribution of multiple companies across the UK, increasing both their creative expertise and business scale and helping them dedicate valuable time and effort to slate development over prolonged periods. In 2017 the Nations and Regions team spent £450,000 through our Alpha Fund, providing development funding to seven companies in the English regions, five companies in Northern Ireland, three companies in Wales and three in Scotland.

The money has been used to seed-fund new Production companies like True to Nature in Bristol and Afro-Mic in Belfast as well as support emerging companies in their continued growth, like Full Fat in Birmingham. This reflects the fact that we use Alpha funding in a number of ways to reflect the different needs of diverse production companies or individual production companies at different stages of growth, and of the varying production sectors in different parts of the UK. Sometimes the funding is for talent development in an area where senior talent in a certain skillset is lacking, or for training schemes like our investigative journalism scheme which we look at in more detail later. Occasionally it can be for or a single taster. It can also be to help a London company set up an office in the Nations and Regions, for example BLAST in Brighton, and to support their work to get more commissions in that area.

Mostly, however, it is to help brand new and emerging companies in the Nations and Regions to increase their Channel 4 development efforts over a period of time - so we may fund a company twice in one year/across two quarters in separate years, as we did with Nimble Dragon in Wales.

Across our investments in 2017 more than £17 million of Channel 4 business was directed to the Nations and Regions through the partnered companies.

But the impact of funding goes beyond Channel 4 commissions and we often find that our funding has a wider effect on the local economy, for example by helping companies to secure commissions from other broadcasters. [X] In this way, our work in the Nations and Regions, and its impact, goes well beyond what is captured within the quotas and the *Made outside of London programme titles register*. This illustrates how the different public services broadcasters benefit from each other's investment and why a critical mass of investment from all PSBs is key to sustainable growth.

Case Study: Nimble Dragon, Wales

At a time when Channel 4 was concerned about the shape of the creative sector in Wales due to consolidation in the Indie sector, we gave Welsh start-up indie Nimble Dragon Alpha funding in 2016, then again in 2017. Their Creative Director Tess Cuming was formerly of Welsh indie Boomerang and had previously delivered a number of hit shows for Channel 4 and other

broadcasters. Likewise their MD Gareth Rees had over 20 years of experience in the Welsh TV sector and was previously MD of Boomerang, leaving to start Nimble Dragon.

Within less than a year of receiving Alpha funding, Nimble Dragon won over £1m in business from the Channel with a returnable network series. *Hitched in the Sun* is a 20-part daytime series set in Cyprus. They now have their sights set on primetime returnable series and the support of Channel 4 commissioners to achieve that. The daytime series has given them the foundations to grow the company, and they have since added a series with another broadcaster. They now have over 30 freelance and full-time staff at their Cardiff Bay offices.

3.1.2 The Growth Fund

Launched in 2014, Channel 4's £20m Indie Growth Fund was established to nurture the independent sector by providing access to funding for small and medium sized UK independent production companies. The aim is to help these businesses grow and develop without the need to consolidate with other production companies or seek bank loans which are often hard for indies to access. Four years on, the fund has invested in 13 companies from across the UK including three from which we have now successfully exited. This includes investments in Leeds-based indie True North and Glasgow-based Firecrest Films (see case studies). In both cases, the fund has helped these companies grow and increase their headcount. Turnover across our Growth Fund investees more than doubled in 2016.

Case Study: True North, Leeds

True North is an independent production company based in Leeds, producing programmes across an eclectic range of genres including documentaries, children's content, factual, features, and factual entertainment.

In 2014, Channel 4 invested in True North through the Indie Growth Fund. Channel 4's investment was critical in enabling True North to retain and expand its northern base, without the need to build a presence in London.

Since Channel 4's investment, True North expanded its presence at Media City in Manchester (as well as its Leeds base) and grew its edit capacity across the company by 40% to 18 edit suites. Hiring increased, with headcount growing from 100 people in 2014 to 150 in 2016. It has also doubled the number of returning series on its slate, providing a strong and sustainable revenue base, which doubled to just under £10 million after Channel 4's investment. The company has had notable international success: True North's programmes are now watched in more than 200 countries around the world.

The company also provides an important training ground for new production talent in the North of England. Its connection to Channel 4 has bolstered its long-standing commitment to nurturing diverse talent.

“The Growth Fund has been instrumental in supporting a sustained period of expansion for True North, helping the company build a bridge from its base in the North of England to the rapidly evolving global television market.” – Andrew Sheldon, Creative Director and Founder, True North

Having successfully helped grow the company, Channel 4 sold its stake in January 2017 to Sky, at a significant profit, and will reinvest the revenues into the Indie Growth Fund as well as content which delivers the remit.

We have also achieved great success where we have combined Alpha Funding a company over a number of years with subsequent Growth Fund investment. This is seen in the case of Glasgow company Firecrest, who are now the fastest growing independent production company in the Nations and Regions. We are exploring ways in which we can do more of this type of investment in the future and use the Growth Fund to support many more smaller indigenous companies in the Nations and Regions.

Case Study: Firecrest Films, Scotland

Supported over several separate years by the Nations and Regions team, this Glasgow-based Indie, has shown remarkable creative growth, going from delivering award-winning single films on Channel 4, to consumer series such as *Supershoppers* and episodes of *Dispatches*. After repeat Alpha Funding over a number of years they became Channel 4’s first Indie Growth Fund investment outside of England. This repeat investment has paid dividends and according to the 2018 Broadcast Survey they are now the fastest growing independent production company outside of London.

Firecrest was set up by Nicole Kleeman in 2008 with an initial focus on current affairs. Their first commission with Channel 4 was *Secrets of Poundland* in 2012. They then continued to make several single programmes for Channel 4, producing some of the highest rating Channel 4 *Dispatches* films, including *Secrets of Cadbury* and the BAFTA Scotland award-winning *Low Pay Britain*. Firecrest was initially supported over several separate years through the Alpha Fund. Initially we funded a Journalism Trainee through Alpha in May 2014, then again in Aug 2015. Then, adapting to the changing needs of the company, we funded across their development slate in April 2016. In August 2015 returnable format *Supershoppers* was commissioned from Firecrest, and went on to win both BAFTA Scotland and RTS Scotland Awards for the best feature and factual entertainment programme. *Supershoppers* is now on its 5th series and has provided a spine of stable income

In 2016 Firecrest’s turnover was £1m. Channel 4 took a minority stake in the company through the Growth Fund and their 2017 turnover tripled year on year to £3m making them the fastest growing TV production company outside of London. This has enabled the company to expand their offices and employ more staff, creating jobs in Scotland.

“Fundamental to our success has been the support of Channel 4, particularly through commissioning, but also from schemes and funds to support smaller indies and develop new talent.”
- Nicole Kleeman, MD of Firecrest Films.

Whilst our funding is important and has significant and demonstrable impact on companies in the Nations and Regions, it does not happen in isolation and is buoyed by a raft of other measures to

nurture and support the companies we work with and support skills development and sustainable talent pipeline.

3.1.3 Building relationships with commissioners

We know that a key way to support regional production companies is to help ensure they can build relationships with our commissioners. Alongside the work of the dedicated Nations and Regions team in Glasgow, Channel 4 commissioning editors undertake regular and extensive engagement with producers through a mix of one-to-one meetings across the UK and a series of commissioner briefings held in locations across the UK. This has been an area of particular focus in recent years, and we have been working to improve both the quality and volume of briefings. In 2017 we held 21 events up from 16 in 2016. These were attended by 311 individuals from 139 companies from the Nations and Regions. The briefings covered a range of genres and were tailored to improve existing supplier growth as well as to connect with new production companies. Transcripts were also sent out after the events to ensure that those who couldn't attend in that event's particular location could benefit from the information shared in the sessions.

Case Study: Big Mountain, Northern Ireland

Big Mountain have worked with Channel 4 since 2012 and now, through Channel support have achieved scale.

Having been supported by the Alpha fund across 2015 to 2017, Big Mountain have now firmly established themselves as a significant content supplier moving from a three-part series on More 4 in 2016 to a 15-part series *Genealogy Roadshow* that will transmit on Channel 4 this year.

"Alpha Fund support has not just been about money, we've had demonstrated commitment from the commissioners who have engaged with us and our ideas in a sustained and meaningful way that have led to commissions and through to delivery of shows." – Jane Kelly , Creative Director

3.1.4 Patterns of Growth

These examples and our wider experience show that the rate and pattern of growth for individual production companies and production sectors varies hugely. Across the Nations and Regions the biggest challenge for production companies tends to be reaching the £10m mark, with many small to medium production companies staying at the £1-5m level for a long period and struggling to grow beyond that level without additional investment. However once companies do reach scale, we often see a pattern whereby senior execs will peel off and create new companies, which then begin to grow themselves. This can then lead to a clustering as we have seen in Glasgow and Cardiff. We know that different clusters are at different stages in this process and that patterns of growth vary, but a big part of our work through the Nations and Regions team and the Alpha Fund is nurturing these growing clusters and working with them to move through the growth process.

The pattern of growth will vary depending on the existing talent and relationships which a new indie can draw on as well as the type of content they want to make. For example some companies

have reached £1m in their first year by targeting a features or daytime commission with a relatively high number of episodes. [X<]

New production companies with a focus on Current Affairs or Specialist Factual tend to take longer to get to the £1m mark as these genres are often commissioned in singles or 3 parts which bring in less revenue. Furthermore, if a company is very small, then during the period when they are making a programme they may have limited capacity to undertake additional development work.

Generally returnable series are key to growth as they provide the stable income which an indie can build upon. Because of this, where possible Channel 4 lets producers know in advance when we are commissioning another series which allows them to keep that team on and helps with stability and continuity.

Case Study: Lime Pictures, Liverpool

Lime Pictures, which was previously Mersey Television (which made Brookside for Channel 4 until 2003) has produced *Hollyoaks* for over 22 years. Filmed from a dedicated set on Lime's campus in Childwall, Liverpool, it is Channel 4's biggest Nations and Regions commission. Now running at five episodes a week, *Hollyoaks* is one of Channel 4's most popular, enduring and defining shows. It delivers impactful, important public service messages to young viewers through storylines on issues including rape, teen pregnancy, substance abuse, eating disorders, mental health problems, HIV, body dysmorphia, LGBT issues, stillbirth and many others.

Hollyoaks provides Lime with a stable platform from which to build and invest in talent over a sustained period of time. Having developed a staple of writers and directing talent, Lime has become one of the most successful production companies in the country, also producing programmes including *The Only Way Is Essex* for ITV2, *Geordie Shore* for MTV and Disney's *Evermoor*.

With a wage bill of £20m, Lime plays a vital role in developing a rich and varied talent pool in the Liverpool area, employing over 300 staff including a large number of trade and production roles. 65% of their Childwall-based staff come from within a 15 mile radius. Lime also works actively with Channel 4 on talent development initiatives, such as the Northern Writers' Award, as well as supporting Channel 4's diversity storylining initiative, in which Lime offered two 12-week placements on the *Hollyoaks* story team for people from a BAME background or with a disability.

Considerations around genre and format have also played a part in shaping the development of different clusters of production in different parts of the UK. For example, the production companies we work with in Scotland have historically been very focussed on developing returnable formats, whereas the companies we work with in Northern Ireland have often tended towards making short run Specialist Factual or Current Affairs. Both of these types of programming are valuable and companies must be able to decide their own specialism. Nonetheless, diversification is often an important step in the growth of both an individual production company and a regional production sector and where appropriate we work to support this process. The in-built flexibility of the 50% of talent criteria is important in this diversification process as it allows companies to bring

in external production talent with expertise in genres not well served in their location to support the process.

3.2 Investing in talent and skills

As a PSB with a remit to nurture talent, Channel 4 makes a significant contribution in developing the skills and talent of the creative industries workforce across the UK. We deliver and fund a range of dedicated initiatives across the country aimed at people at every stage of the career ladder, both on and off screen. Many have a regional focus, aimed at providing opportunities for people seeking to break into the industry. This helps us to deliver our remit to support new talent, whilst also demonstrating our commitment to developing and supporting production sectors across the UK.

We also use training to support companies in diversifying. As the skills needed for different genres and programming formats varies, Channel 4 supports production companies in training local talent when they are looking to diversify their business. This is often aided by existing talent with a particular expertise brought in from another region who can support the move to a new format and provide shadowing opportunities for local talent. This is done with an eye to the future and to building a local legacy should the diversification result in a returning commission or to further commissions in this new area. As diversification has an important role to play in growth, the flexibility to do this is key. This is part of a holistic approach which starts at a grassroots level, expanding the available talent pipeline in the Nations and Regions as well as supporting training and development opportunities for more senior talent right across the UK.

3.2.1 4Talent Pop Ups

At early entrant stage, Channel 4 runs an innovative outreach programme of skills workshops and open days called “4Talent Pop-Ups”. These are held in locations around the country and are designed for young people often from towns and cities away from the main ‘media hub’ cities. In the last few years Channel 4 has held pop-ups up and down the country, including Bournemouth, Norwich, Wolverhampton, Preston, Doncaster, Dundee, Liverpool and Corby. We reach over 600 young people every year through these initiatives, providing them with knowledge about media opportunities in their local area; linking them with local businesses; and providing them with training on basic skills from production to presentation. Local independent production and digital companies play a central role in these events, allowing young people to understand what they do, network with them and hear about opportunities available to them in their area. Following the Pop Ups, 97% of attendees said that they knew what to do next about a career in the media/creative industries. Over 2017, the wider work of 4Talent engaged 1,543 young people from across the country.

3.2.2 Apprenticeships and work experience at Channel 4

Within our own employee base we run a series of new entrant schemes, including a structured work experience programme and apprenticeship scheme. Channel 4 is a strong supporter of the role of apprenticeships in training the next generation of talent and its potential to promote greater

diversity and social mobility. We believe that apprenticeships offer a viable alternative career path into the sector, which has historically been dominated by university graduates.

Apprentices spend 12 months attached to one of our departments in London, Manchester or Glasgow, working on a range of in-depth projects that count towards their Level 3 or 4 qualification. In 2017, we welcomed 17 young apprentices for year-long placements, out of a pool of 2,379 applicants.

Our Work Experience Scheme provides training and hands-on experience of working in a team at Channel 4. This attracted 2,216 applications in 2017 and we offered 56 work experience placements across the year. Of these, half of the placements were offered to young people from the Nations and Regions, who we supported financially during their placement.

3.2.3 Production Training Schemes

Channel 4 also runs a series of training and skills initiatives within its supply chain. For example, our Production Training Scheme provides entry-level, 12 month placements within Channel 4's production company suppliers. This has proven to be a highly successful model, with 77% of our 2017 graduates now working full time in the industry, including at production companies such as The Garden, North One, BBC Three and Firecracker.

In 2016, as well as expanding this to 24 candidates with disabilities to train for roles as part of the Rio Paralympics production team, Channel 4 piloted a Nations and Regions focussed scheme in Glasgow. The scheme provided six new entrants paid work placements as trainee researchers and coordinators at four production companies: Raise the Roof, IWC, Remedy and Lion. The placements were so successful that all of the companies decided to extend the original contracts. In 2017 we funded 16 young people through the Production Training Scheme, of these 16 places, 11 were with companies based in the Nations and Regions, with placements in Birmingham, Bristol, Glasgow, Liverpool, Manchester and Newry.

In parallel, we also invested in mid-level talent in Glasgow to help grow and develop the careers of high-potential people identified by production companies. We supported two individuals: at Raise the Roof, funded a six-month role to shadow a Series Producer on *Gok's Fill Your House for Free*, and at IWC, we funded a shadowing directing placement on *Location, Location, Location* and *Britain's Benefit Tenants*.

Case Study: Raise the Roof, Glasgow

From the early days of hot-desking at Channel 4's Glasgow office, the trajectory of Raise the Roof Productions has been impressive.

Raise the Roof has gone on to produce over 250 hours of television for Channel 4. Its most recent commissions include the returning series, *Love it or List it*, and Scottish RTS winning *Phil Spencer: Find me a Home*. It has also sold its formats right across the world.

Launched in June 2010, Raise the Roof quickly won its first commission, *Vacation Vacation*, and moved into its own space in The Hub, at Glasgow's Pacific Quay. Its focus on long-

running, returning formats, including *Phil Spencer: Secret Agent*, has allowed the company to invest in staff and development: it now has 16 permanent members of staff and supports hundreds of freelance jobs a year.

Raise the Roof has offered opportunities to Channel 4 trainees, ranging from researchers and coordinators to series producers and executive producers, and has found this experience mutually beneficial.

As well as welcoming trainees, Raise the Roof works closely with Channel 4 to support skills and talent development in Glasgow. It has received development funding through the Alpha Fund and has worked with Channel 4 on schemes to develop more senior members of staff.

3.2.4 Investigative Journalism Scheme

Channel 4 is known for high quality, agenda-setting news and current affairs, reflecting our remit to show alternate viewpoints and stimulate debate. In order to sustain this, it is essential that we ensure the next generation of investigative journalists are well trained and come from as diverse a range of backgrounds as possible. With that in mind, Channel 4's Investigative Journalism Training Scheme provides on-the-job training to talented journalists and takes two sets of trainees: entry-level and more experienced candidates (for example at Associate Producer or producer-level) who are looking to move into more senior roles. Places are within production companies working on Channel 4's *Dispatches* strand and other current affairs programmes, and have included placements with independent production companies across the UK, such as Matchlight and Firecrest Films in Glasgow; Nine Lives Media in Manchester; Below the Radar and Erica Starling in Belfast; and True North in Leeds.

This collaboration has resulted in the successful development and retention of new journalistic talent outside of London. To date, 40 people have been on the junior scheme, 14 of whom trained in the Nations and Regions. We have also trained 16 more advanced journalists on the senior scheme, which helps people to make the jump to produce and direct their own current affairs documentaries. One example of a successful trainee is Kevin Anderson. He was placed with Firecrest Films as part of Channel 4's Investigative Journalism Scheme in 2014. In 2017 he won Royal Television Society Scotland's inaugural Young Journalist of the year award.

Channel 4 has also partnered with De Montfort University's Media School in Leicester to launch a new Investigative Journalism MA. Although most of these types of courses are based in London, Channel 4 chose to partner with De Montfort because of Leicester's reputation as Britain's most diverse city and its fit with Channel 4's commitment to diversity. The course, which has been developed in partnership with Channel 4's News and Current Affairs team, covers areas such as techniques of in-depth research, handling complex data, understanding financial information, working undercover, using freedom of information, the law, compliance and safety alongside filming and editing. As part of the course, students learn how to identify, pitch, research and film investigative stories. 2017 saw the first graduates of MA and many of the degree's first cohort of seven students, who joined the course in October 2016, have already secured journalism jobs, including one young man who has joined Hardcash Productions, working as a researcher for

Channel 4's *Dispatches* programme, and another who now works at the BBC. Demand for places on the programme is strong, with the second intake of MA students expanding to a group of 13 students, six of whom are from diverse backgrounds.

3.2.5 Northern Writers

As part of Channel 4's, we partnered with Northumbria University and New Writing North on this new award to reach out to a diverse spectrum of writers. The partnership goes beyond simply developing a resource-base for writer development: the three organisations' different networks, skills, experience and knowledge create a unique and powerful support structure for talent development. Now in its third year of Channel 4's sponsorship, graduates of the Northern Writers' Awards have gone on to write professionally for *Hollyoaks*, to have original work commissioned by Channel 4 and to win other paid developments. Through the award, Channel 4 has discovered new writing talent: Nuzhat Ali has worked with Red Productions in Manchester and Sharma Walfall took up a placement on *Hollyoaks* in Liverpool.

4. Our New 4 All the UK plan

Whilst we are proud of what we have achieved to date, we want to go further, and in March 2018 Channel 4 announced our new '4 All the UK' plan – a strategy to ensure Channel 4 is serving the whole of the UK and the biggest change to the structure of the organisation in its 35-year history. This plan will build upon our previous work to drive regional production, significantly boosting jobs in the Nations and Regions and improving representation of all the UK.

Throughout the Government consultation on increasing our contribution to the Nations and Regions we have always been clear that, as a publisher broadcaster, our biggest single contribution to the Nations and Regions is our investment in content. Whilst we only directly employ around 830 staff, our commissioning spend supports around 17,000 jobs across the UK, so maximising our investment in production outside of London is the most impactful way to increase our contribution to the UK's Nations and Regions. That is why at the heart of the 4 All the UK strategy is a major new commitment from Channel 4 to significantly increase its Nations and Regions content spend from its current quota of 35% to a new voluntary target of 50% by 2023. This will result in a cumulative boost of over £250m in Channel 4's Nations and Regions commissioning spend and support up to 3000 additional jobs in the Nations and Regions economy.

To support and catalyse this spend across the UK, Channel 4 will move to a multi-site operating model, establishing a new National HQ and two new smaller creative hubs in the Nations and Regions in 2019 – home to jobs from across the business including key creative decision makers. The pitch process to decide the location of the National HQ and the creative hubs is now underway and we will be concluded by the end of September.

When this strategy is fully implemented, 300 Channel 4 jobs will be based in the Nations and Regions and the intention is to grow this further over time. Programme commissioning editors

overseeing significant budget and with responsibility for some of Channel 4's biggest shows will be based across the three new creative hubs – alongside a variety of other creative and business functions. This will mean creative decision makers are embedded in communities in the Nations and Regions, impacting upon the programmes that end up on screen, and helping to drive organic long-term growth in these areas. We know that enabling end-to-end regional production, and in particular supporting the growth of post-production in the Nations and Regions has historically been a challenge, but is something we are absolutely committed to and we hope these measures will help to drive this and support the organic growth of post-production outside of London. We believe this will go a long way towards addressing issues around post-production, but should these issues persist over time it may be that Ofcom need to return to this issue and consider what additional levers PSBs, Ofcom and government could consider to address this.

Channel 4 News will also expand its footprint in the nations and regions opening new bureaux giving a huge boost to regional representation, aiming to become the first peak-time national news programme to co-anchor from both London and the Nations and Regions from 2020. In partnership with ITN, the programme will establish three new Channel 4 News bureaux with one becoming a major hub with a studio, digital and commissioning centre, tripling the number of jobs based in the Nations and Regions by 2020.

This new plan is an ambitious demonstration of our commitment to driving end-to-end regional production in a long-term, sustainable way, and improving the on-screen portrayal of the whole of the UK. However, it is important to note that this strategy and the 50% spend target which is so central to it, were developed on the basis of the current criteria for regional programming. Should this change significantly we would be forced to reassess our target and the timeframe in which we are able to deliver on it.

More broadly, a key consideration when developing our 4 All the UK strategy was formulating a plan that would increase our contribution to the Nations and Regions in a way that enhances, and does not diminish, our ability to fulfil our existing public policy role, as set out by Parliament in our statutory public service remit. We have always been clear that we must ensure that any increased Nations and Regions contribution we make enables Channel 4 to continue to flourish creatively and commercially; to maximise investment in production. In the current context we believe our 4 All the UK strategy will achieve this, strengthening our contribution to the Nations and Regions whilst at the same time strengthening both our remit delivery and our commercial performance. However any significant changes to our public service obligations and our PSB compact, be that in relation to the regional production system, or one of the other areas on which Ofcom are consulting could tip the delicate balance between obligations and benefits which the PSB compact strikes, changing the context in which we deliver our ambitious new plans.

This consideration also applies to the other PSB channels. We know that sustainable, long-term growth across the UK requires all of the PSBs to work together to invest regionally and support the growth of companies and talent across the UK. At present there is a real momentum across the PSBs to drive up commissioning and production in the Nations and Regions and work to support skills development and a strong talent pipeline across the UK. We believe this step change will

deliver real results over coming years and want to avoid any measures that could stall the momentum or force PSBs to reign in their ambitions. As such we feel that there is a strong argument for allowing these ongoing changes to take shape and come to fruition before assessing whether any additional changes to the system are needed. This reflects our wider view that regulation should only be considered when organic, voluntary measures have been tried and failed.

5. How the criteria are working in practice

5.1 Measuring the criteria against their purpose

Channel 4 welcomes Ofcom's review and believes it is an important opportunity to look at the available evidence in order to understanding how the criteria are working in practice, whether they are meeting their intended objectives and the likely impact of any changes.

In order to assess the impact of the regional production system we must start from a shared understanding of its purpose. The regional production quotas and the accompanying criteria and guidance were established to "support and strengthen production in the UK's nations and regions" and to ensure that the economic benefits of broadcasters' commissioning spend is spread across the country. On this measure the quotas have been a demonstrable success. They have been an important, and successful, lever for increasing broadcasters' spend outside of London, as shown by the growth in Channel 4's spend in the Nations and Regions and the record levels it has reached over recent years.

This success is also demonstrated by the growth of production hubs outside of London. For example the production centre in Glasgow has shown significant growth over the last ten years, which is reflected in the fourfold increase in Channel 4's spend in Scotland. The amount of companies Channel 4 commissions content from in Scotland has more than doubled between the first Made out of London register covering 2010 and the latest, published for 2016. In Northern Ireland the amount of companies tripled in that period.

Issues around the on-screen portrayal of the Nations and Regions of the UK have sometimes been raised in the context of this debate. However, whilst questions of portrayal are, of course, important, and diversity of portrayal can at times be a positive outcome of increased commissioning from the Nations and Regions, it is important to be clear that the quotas are an economic lever, not a device for influencing portrayal. Many programmes meet all three of the Ofcom criteria without being strong on portrayal, and, as is often the case with our film output, commissions can be very strong on portrayal without meeting any of the regional programming criteria. It is important that regional production companies are able to compete for the widest range of commissions, not only those which reflect their local community and area.

There is an important, but separate, discussion to be had about how we measure on-screen portrayal, and incentivise diversity in portrayal. We will be following the ongoing Ofcom review of representation and portrayal at the BBC closely and we are very interested to see both the methodology and the findings of this work. At Channel 4 we know how important portrayal is, which is why we work hard to ensure that our programmes feature a mix of contributors and

locations from across the UK. It is also why our new '4 All the UK' plan not only involves a commitment to increase our regional spend, but also includes measures to improve the diversity of the portrayal of the UK in partnership with ITN, who produce our flagship Channel 4 News programme. We will touch on the question of portrayal in more detail later.

5.2 The system in context

It is also important to understand that the quotas are just one part of a much wider picture in which PSBs are working to increase their footprint outside of London and to build production centres in the Nations and Regions in a long term, sustainable way. As we have set out, this work involves a wide range of activity, much of which is led by our Nations and Regions team in Glasgow, but also which spans across other areas of the business. It also involves considerable spend on programmes which contribute to the economies of the Nations and Regions but which do not meet the criteria.

This additional regional spending includes on digital content as well as content for E4, More4 and All4, all of which goes beyond our delivery against quota, which relates to the main PSB channel. It also includes considerable Film4 investment, which makes an important economic contribution to the Nations and Regions as well as well to portrayal. For example, Film4 invested [£] in T2 Trainspotting which was 100% shot in Scotland but fell short of the criteria as it was made by a London production company and only 65% of the Ofcom qualifying spend ([£]) was in Scotland vs the 70% quota. Likewise, recent Film 4 release Dark River, [£] was set and 100% shot in Yorkshire and achieved 60% regional production talent but only reached 60% of spend overall, therefore not meeting the criteria. And finally High Rise, [£], was 100% shot in Northern Ireland with [£] at least 50% of production talent from Northern Ireland. None of this investment is reflected in the current system.

Whilst the system may not be perfect, it has provided an effective means of simplifying and measuring what is actually a very complex picture around regional production. In doing so it has effectively incentivised PSBs to drive up regional production in a meaningful, long-term and sustainable way, as our own work over the last thirteen years shows. On the whole our experience is that the current definitions are effective in driving the growth of investment outside London, whilst also retaining some flexibility for PSBs and production companies. They achieve the right balance between supporting local suppliers and development, whilst also allowing space for new entrants to create competition where required. The system also recognises that, as we set out earlier, each production ecology is different and different companies and ecologies will grow in different ways, meaning that a one size fits all approach would not encourage sustainable growth.

At present the regional production criteria ensure that the quotas make a meaningful contribution to the Nations and Regions whilst allowing broadcasters both the flexibility to take a broad multi-faceted approach that reflects the different needs of different companies, and the creative flexibility they need to thrive. It is important that any changes do not undermine this and have the unintended and negative consequence of restricting and narrowing broadcasters approach or damaging their ability compete in an evolving media landscape. This second point is crucial. Both the broadcasting and production markets have been going through a period of rapid change, and in

order to continue to thrive, PSBs need creative flexibility and the ability to compete for high-end talent in a competitive global market. The regulatory system must recognise and support this.

Whilst flexibility is essential, it can bring challenges as it means interpretation of the rules plays an important role leaving open the possibility of variation in application. Should the review identify cases where the criteria are not working in practice, it is essential to understand whether these issues stem from the criteria themselves or from the way they are being interpreted. Were it to become clear that inconsistencies in application are a considerable problem, it may be that there is a case for greater refinement of the criteria/guidance in some areas to provide greater clarity and consistency, for example around how different overheads/invoices and their elements are allocated to a region.

However we believe that any issues around interpretation could be largely addressed by regular dialogue between the PSBs and Ofcom, allowing the sharing of best practice and bringing to light any areas where issues are occurring. This would have the added benefit of facilitating collaboration to address key challenges. A working group could also look at whether the regional production reporting system could be improved in order to ensure that systems are as robust and transparent as possible and the information provided in the register gives the industry confidence in the system.

Should Ofcom conclude that more significant changes may be needed it is vital that the costs and wider implications of any changes are fully considered. As set out in 1.14 of the review document, the regional production quotas are just one set of requirements within the matrix of PSB quotas and broader regulatory obligations and Ofcom should be mindful of how changes to one element of this matrix impact upon the delicate balance of the wider system. Even small changes to the system could have major implications for the sector which has been working with this system for some time and has developed plans and strategies for the future which are based around it. The existing system and the work which supports it is considerably more complex than the guidance and the published register show. What may sound like simple changes may actually have huge repercussions for both PSBs and production companies. With this in mind, if the findings of this initial call for evidence leave Ofcom minded to make changes to the system then it is absolutely vital that any change is given careful consideration, including proper consultation on more concrete potential options.

Even at the most basic level, PSBs have detailed systems for data collection, verification, storage and reporting, and making changes to these systems will have implications in terms of resources which impact upon delivery in other areas. Any changes to the reporting systems will also need to be communicated to suppliers to try and ensure as smooth a transition as possible. So, whilst we support measures to improve reporting in principle, it is important that PSBs are given sufficient time to implement and communicate any changes in the most efficient and cost effective way.

5.3 Each of the three criteria in practice

5.3.1 Substantive base

We believe that the current definition of substantive base remains appropriate. The three parts to the definition ensure that fulfilling this criterion has a meaningful impact in the region where the substantive base is located. But importantly, the definition also allows for the realities of running a production company and the degree of unpredictability around how a programme will develop and whether it will be a success. To put any requirement on the permanence of a substantive base would not do so.

The case of Eden highlights some of these issues and also illustrates how some concerns around substantive base may stem from misconceptions.

Eden – the risky nature of television, and issues around perception

Eden is an example of a programme that met the substantive base and 70% of spend criteria, but not 50% of production talent.

Channel 4 is aware that concerns were raised about whether Eden met the Ofcom Out-of-London criteria, in particular with regards to its substantive base. However examination has shown that it was clearly a regional production. Eden was produced from Keo North which is based in Glasgow. During production, the Glasgow office had a team which included an Executive Producer engaged to find commissions for Keo North. Whilst the pre-production team worked from this office, once production was underway the main production office was based at the location in the Highlands, as this was approximately a five hour drive from Glasgow, so Glasgow was no longer a practical base.

Throughout production and through to delivery - a period of 14 months - the location office was the production base with a team of approximately twenty people. This included a number of senior personnel working on the project. In addition, local people were regularly employed in various capacities throughout the production. As the production was entirely based in Scotland for over a year the 70% of regional spend was easily achieved.

Unfortunately, as the production office had moved from Glasgow once production began, concerns were generated that the substantive base had not genuinely been in Glasgow/Scotland and that this office had been nothing more than a means of ticking regional boxes. However whilst the base did move from Glasgow it remained in Scotland so concerns around substantive base were unwarranted.

Had Eden been the commercial success that Channel 4 hoped, it could have become a returnable series and an exportable format, bringing significant long term benefits for the Scottish production sector. However, as is the nature of television, not every programme takes off and unfortunately Eden did not achieve the success we had hoped.

This example shows how the practicalities of making a programme can lead to misconceptions that a regional programme is not genuinely meeting the criteria when, in fact it is. It also illustrates that criteria must be flexible enough to allow for the level of risk and unpredictability which is involved in making television. Whilst contributing to long term sustainable growth and creating a lasting

legacy is a key goal, not every programme will be a hit and producers must be able to take creative risks in the Nations and Regions without being penalized if those risks don't pay off. Any requirement around the longevity of a substantive base would not take into account the nature of the industry and the needs of production companies as businesses. This case also illustrates that there can be a gap between perceived compliance with the criteria and actual compliance. The review must distinguish between genuine abuses of the rules and situations in which misconceptions may have generated concern.

We understand that there are some concerns about whether production companies appreciate that they must meet all three requirements of the substantive base criteria. Whilst we do not believe this to be the case, should these concerns prove to be warranted we will work with Ofcom and the other broadcasters to ensure that the requirements around substantive base are recommunicated to production companies, and, if necessary, amend our reporting processes to require producers to confirm that they have met each of the three elements of substantive base to reinforce this.

5.3.2 70% of production spend

We believe that the production spend criterion is also working well and is set at the right level to balance achieving real, meaningful impact with the needs of broadcasters and production companies. The examples from film set out in 6.2 show that this level is by no means always simple or easy to meet. What's more, another important consideration behind the 70% threshold is the need for some productions to undertake some filming - and therefore spend - abroad whilst still being able to make a production regionally, and make a significant economic contribution to the Nations and Regions economies.

However, whilst we think the spend criteria is effective and the threshold is set at the right level, our experience suggests that of the three criteria, production spend is the most open to inconsistent application. As such we believe that a cross-broadcaster working group could improve the consistent application of the spend criterion. It could also look at whether greater clarity would be beneficial around how the production fee should be accounted for in calculations around spend.

5.3.3 50% of production talent

Again, we believe that the 50% of production talent criterion is effective and set at the right level for the current context. As with the production spend criterion, the 50% threshold was designed to ensure that programmes have a significant impact on the Nations and Regions whilst at the same time allowing the flexibility for broadcasters and production companies to use some London based talent where they are key to the creative team or address gaps in the local skills base.

We understand that some in the industry have argued that the 50% threshold should now be raised to reflect an increase in the availability of talent outside of the M25. However, whilst we hope in time we will reach a point where this is the case, and we are working hard to get there, our experience shows that there are still significant issues around the training and retention of talent which need to be addressed before the 50% threshold could be raised.

The problem with talent retention and training is not a new one but it has become more acute as the regional industries grow quickly. At present, for example, the number of series made in each Nation is growing faster than the senior talent pool. This is illustrated by the frequency in which we are being approached about shortages. [X]

Case Study: [X]

The example of [X] illustrates a number of key issues: that Nations and Regions productions can experience difficulties in sourcing the production talent they need; that at times production companies and broadcasters may need clarification /a source of clear advice on how the criteria should be applied in practice; and the importance of a system for review and spot checking. This case also shows how Channel 4's procedures for ensuring compliance with the Ofcom criteria are working in practice and how a programme which does not deliver against the criteria once it is made will not make the list of regional productions.

The programme was initially commissioned as a regional production. When the programme was commissioned the production company believed they would meet the substantive base and 50% of production talent criteria. However when making the programme it was not possible to staff the programme in the way they had intended and more staff from inside the M25 had to be used.

Despite this issue, the production company believed the programme would instead qualify as regional by meeting the substantive base and 70% of production spend criteria. Channel 4 had concerns about this and asked RSM to carry out a review of the programme to verify this.

The production company argued that, based on their interpretation of the Ofcom rules, the 70% of production spend criteria could be met. However on investigation this relied on a calculation which compared actual costs against the budgeted Channel 4 licence fee. Channel 4's external reviewer, RSM believed that the calculation as to whether the programme meets the spend criteria should be based on a comparison of the actual expenditure incurred outside of the M25 to the total expenditure on the programme. On this basis the programme did not meet the production spend criteria.

As such the programme was found to have only met one of the three Ofcom criteria and was therefore categorised as non-regional.

However, despite not qualifying as a regional production it did still involve a considerable level of spend and staffing from outside of London and made an important contribution to portrayal.

This case not only illustrates that sourcing the necessary talent from outside the M25 can be a challenge for companies, and the importance of a system of review, but it also highlights how interpretation can vary. Given this issue we believe many issues could be addressed by the introduction of a single source of advice/authority on the application of the criteria which could be consulted by both production companies and broadcasters in a clear and transparent way.

At present, the criterion is set at the sufficiently flexible level to make a meaningful local impact, enabling broadcasters and production companies to use the best people for the job and deliver a

series that is a success and returns, whilst also focussing on and developing established local talent. Our Nations and Regions team supports this way of developing a local skills base by funding shadowing placements on regional productions for indigenous talent, where the skillset being shadowed has to be brought in from outside the region. We also carry out considerable work in partnership with our commissioning teams to profile regional talent and host networking nights to enable this talent to build relationships with our commissioners. This is helping us to grow our pool of regional talent, address shortages and, where appropriate, aid the movement of long-running high-performing brands to the Nations and Regions. Our approach has delivered results, including in the area of post-production - which has historically been difficult - with one high profile documentary series having now moved its editing work outside of London and another in the process of doing so. We hope that our 4All the UK plan will help to make further progress in expanding postproduction outside of London.

Case study IWC, Glasgow

Glasgow based production company IWC traditionally made Features content for Channel 4 but won a prime-time Documentary series, Britain's Benefit Tenants for Channel 4. They approached our Nations and Regions team to support an arrangement whereby one of their long-term team members shadowed the series Director (who travelled from outside Glasgow) over series 1. We were able to assist with this, both financially and in terms of commissioner engagement. This enabled her to develop her own skills and relationships with the relevant commissioners. She then went on to Series Produce the returning series and continues to Series Produce for Channel 4 currently.

5.4 The three criteria in combination

As we have set out above, we believe that taken together the current criteria and the wider quota system are working well and have had a significant and meaningful impact on the production sector outside of London. In combination they provide a system that can apply to a broad range of programming scenarios and support the widest range of production companies in increasing their footprint in the Nations and Regions. They have contributed to the development of a broad package of measures from Channel 4, the impact of which goes well beyond our delivery against the quotas. And, whilst the exact patterns of regional spend will always fluctuate, as high spend programmes come to an end and have to be replaced, the steady increase in Channel 4's spend in the Nations and Regions and the impact of our Alpha Fund investments demonstrates that this approach is achieving its goal of long-term, sustainable growth. Our 4All the UK strategy will be an additional catalyst to this work pushing us even further. In order to support all of this work, the system must continue to allow a mixed approach which includes different types of programming and different production companies, some indigenous and some London based, alongside crucial talent development work. This brings us on to the role of London companies in regional TV production.

6. The role of London based companies within regional TV production

Whilst London based production companies are only one part of this mix, they do and will continue to play an important role. As we have seen with programmes like *Derry Girls* and *Ackley Bridge*, London companies can not only bring huge economic benefits and vital portrayal to areas that don't have a strong indigenous production sector, but can also provide life changing opportunities and skills to a developing talent base.

Case Study - *Ackley Bridge*: an innovative approach with no substantive base but a lasting impact

Based on real schools in Lancashire and Yorkshire that merged in order to unite culturally-divided communities, the six-part drama *Ackley Bridge* was one of our most successful dramas of 2017

Ackley Bridge is an example of a programme that meets Criteria B and C but not Criteria A (substantive base). It is made by production company The Forge, who are London based, but who wanted it to become a long-running show that is rooted in the local community in Halifax, where it is filmed. They wanted to get the local community involved to enrich the feel of the show as a whole and benefit from local knowledge and culture. In order to do this:

The team spent two days on the ground visiting the homes of white and Asian communities, making contacts and hearing stories. They worked with a local touring company to build contacts in the local area, particularly the Pakistani community, enabling them to make links with Pakistani families and opinion formers in Halifax and even to teach the show's Costume Designer to fix hijabs.

They made contact with every local senior school and sixth form centre in the Halifax area to source young acting talent. The head teacher of one of the local schools became a cultural adviser to the show and introduced the producers to students who are now part of the cast. Open auditions were held for young actors at these local schools, sixth form centres and the Orange Box Youth Centre in Halifax. All of the *Ackley Bridge* ensemble were either street cast or attended open auditions. Local boy Esa Ashraf who plays Saleem was spotted at an open audition at The Orange Box Youth Centre as were Trinity Academy student Harry Myers who plays Dan, Tong Academy student Hassan Mahmood who plays Amin and Nathan Green who plays Neil.

A number of young supporting actors and ensemble supported by their school curriculum also did work experience on the production in art department, costume, make up. The team introduced anyone who was interested to post production and editing to give back an educational experience. Some of the young people are now considering careers in television production and design roles.

Ackley Bridge is a really positive example of a production having a real and lasting impact on a local community despite not having a substantive base there. It shows that by taking an innovative approach a London production company shooting in another part of the UK can not only contribute the local economy but also to the local community. It is vital that these kinds of productions are valued and incentivised by the regional production system.

Case Study: *Derry Girls* – the biggest ever series in Northern Ireland

Hugely successful Channel 4 series *Derry Girls* was made by London production company Hat Trick. Not only did it contribute £2.1m of investment in Northern Ireland but it also made a huge contribution in terms of portrayal and became the biggest series ever in Northern Ireland. It has now been commissioned for a second series which means a further £2.1m investment and a continued contribution to jobs and skills in Northern Ireland.

The show was a massive hit with our viewers in Northern Ireland and across the series, it averaged 0.5m and a 64.2% share in Northern Ireland [vs a 6.7% prime time average share for Channel 4 in NI]. Episode 2's 608k audience is the fifth biggest ever transmission in Northern Ireland across all channels, only behind four episodes of *The X Factor* in 2010. It is the most popular ever series in Northern Ireland, with its 519k average *just* ahead of *The X Factor* in 2010. Looking at a 3min reach measure [including repeats], *Derry Girls* has reached 0.9m / 54% of the TV Population in Northern Ireland and 65% of 16-34s.

The full series of *Derry Girls* consolidated with 2.5m / 13.5%, making it Channel 4's most watched comedy launch series since *Max and Paddy's Road to Nowhere* in 2004. Overall it was our most successful comedy since *The Inbetweeners* Series 3 in 2009 [4.1m / 17.7%], which is our biggest ever comedy [as far back as our records go to 2002]. On linear, the series was up +114% on the slot average 000s and up +109% on the slot average share. It also did extremely well on-demand, our most watched comedy series launch on All 4, and is second only to *The Inbetweeners* S3 for the biggest ever comedy series on All 4.

London based companies can also help to kick start or grow a sector and support the establishment of a centre of excellence in a as we have seen with in Scotland.

Case Study: *Fifteen to One* and its wider footprint

In 2013 there was minimal presence of gameshows in Scotland, for example the BBC were making a National Lottery show. In 2014 Channel 4 decided to move quiz show *Fifteen to One*, made by Remedy Productions, to Glasgow to support the growth of the sector there.

Within a year there were a number of gameshows there across the different broadcasters, as Glasgow had become known as a place for quiz talent, encouraging more production companies to bring their gameshows there to make use of the studios and talent pool. By 2016 there were more than ten gameshows for all ages.

What's more, Remedy Scotland went on to secure further commissions in other genres – for example *How to Win a Payrise* for Channel 4 Current Affairs. Their Glasgow office continues to grow and develop.

This case study shows the impact it has when investment in the Nations and Regions from across the PSBs reaches a critical mass, and how this can create meaningful long-term growth and areas of expertise. In order to try and achieve this critical mass in areas across the UK, our Nations and

Regions team work to support the creative footprint of London companies who want to move to the Nations and Regions and contribute to growth in these areas.

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As we have touched upon earlier, some parts of the production process are more likely to be done in the Nations and Regions. In particular there has historically been a lack of post-production outside of London. There have been a number of reasons behind this, including editorial reasons connected to the large pool of existing established talent in London, because the Director or other senior talent is London based and wants to work there for convenience or to reduce the amount of time away from their family on shoot. In some areas it has also been the result of shortages of facilities and talent. Over the last three years we know many production companies across the Nations and Regions have suffered from a lack of edit space or staff. Edit houses have reacted by opening new facilities and working to secure the best editors in staff positions. Production companies are also following suit, recruiting staff editors for themselves. This is important progress but there is still more to be done to train and retain more post-production talent outside of London. We hope that by moving more creative decision makers outside of London our 4 All the UK strategy will help to catalyse further change. With this in mind, whilst we understand the concerns of some in the sector that many of the programmes on the made outside of London register will have been edited in London, we do not believe this is something that can or should be addressed by changes to the criteria, but rather by building post-production capacity in the Nations and Regions. As we have set out this is something we are committed to doing.

7. On screen representation and portrayal

Reflecting the diversity of the UK on screen is of central importance to us. As a PSB, Channel 4 has a responsibility to ensure that audiences across the UK are catered for and different locations across the country are represented both on and off screen. Through the people and places that appear in our programmes, to the people who make the programmes themselves, Channel 4 works to promote and celebrate the diversity of cultures and communities in the United Kingdom.

Channel 4 strives to reflect a range of cultures, opinions, and experiences across the country and we seek to achieve this through all different genres of programming. *Extremely British Muslims* was a fixed rig documentary that portrayed the lives of the community of Birmingham Central Mosque and the challenges of being a Muslim in modern Britain; *Confessions of a Junior Doctor*, filmed in Northampton General Hospital, examined the struggles faced by young doctors in an NHS hospital. *Raised by Wolves* was a comedy reimagining author Caitlin Moran's childhood on a Wolverhampton council estate; while *No Offence*, a police drama with a predominantly female cast from the writer of *Shameless*, is based and filmed in Manchester.

Some of our most popular returning series reflect the diversity of the UK at their core. For example, *Location, Location, Location*, *Come Dine With Me*, *Four in a Bed* and *Grand Designs* are filmed in locations across the UK. Our award winning *Educating...* series has been based in a number of different schools, with *Educating Cardiff*, *Educating Yorkshire*, *Educating East London* and most

recently *Educating Greater Manchester*. Similarly, *One Born Every Minute* has been based in hospitals in Liverpool, Bristol and Leeds.

Gogglebox, features families from towns and cities across the UK, including Merseyside, Clacton-on-Sea, Wiltshire and Wales. And similarly *Bake Off*, *First Dates*, *Naked Attraction* and *The Undateables* all show contributors from the length and breadth of the country. In a sample week, 78% of Channel 4 UK-based originations were by their very editorial nature shows that travel from location to location or feature a pan-UK cast.

Similarly *Channel 4 News* frequently runs bulletins and articles from across the UK. For the 2017 General Election, the programme hosted a debate with an 80-strong audience in Wolverhampton, and in 2015, went on a road trip around Britain to speak to voters, visiting the likes of Inverness, Glasgow, York, Leeds, Peterborough and Barry Island in Wales. During the EU Referendum campaign, Krishnan Guru Murthy cycled across the North of England for five days to explore the views of the public and hosted a debate at De Montfort University of Leicester, with black and minority ethnic voters. The news bureaux which we are opening as part of our 4 All the UK strategy will only strengthen this further and Channel 4 News will become the first national news programme to be co-anchored from outside of London.

Channel 4 also has a series of programmes which explore the length and breadth of the UK. *Coastal Walks with my Dog* followed celebrities as they visited Devon, Pembrokeshire, Dorset, Dover, Whitby and North Wales, while *Britain at Low Tide* investigated stories from our maritime, industrial and natural history in places such as Northumberland, Essex and Lancashire. In *Great Canal Journeys* we explored the rich heritage of waterways across the country, including Oxford, Bath and Rochdale and *Village of the Year* saw locations right across the UK showcasing their beauty spots, unique traditions and incredible community spirit.

Over the last year newer shows like *Ackley Bridge*, *Derry Girls* and *Village of the Year* have all made a huge contribution to the portrayal of the UK and its diverse communities. But the nature of this portrayal doesn't necessarily connect to the region from which the idea originated. And, as Ofcom point out in 4.27 of the review document, it's important that production companies in the Nations and Regions are able to bid for the widest range of commissions possible and are not restricted to making programmes about the area in which they are situated. As such it is right that portrayal is a separate issue.

However many regional productions do have the added benefit of contributing to portrayal and that is clearly a positive. Our 4 All the UK plan will look to improve the on-screen portrayal of the whole of the UK, including by ensuring our news output reflects the whole of the UK, with more bureaux in the Nations and Regions and our flagship Channel 4 News co-anchored from the Nations or Regions.

As we have touched upon, it is also important to note that a lot of productions which do not meet the Ofcom criteria make a major contribution to portrayal. This includes feature film which rarely meets the Ofcom criteria but often makes very valuable contributions not only to the economies of the Nations and Regions but also to their portrayal.

Measuring representation and portrayal is difficult, but through our support for Diamond, our Commissioning Diversity Guidelines and our 360 Diversity Charter we have been making steps forward. We want to understand how we can better measure and improve our delivery in this area and we will be following Ofcom's review of representation and portrayal at the BBC closely and are considering what lessons we can learn from the process.

8. Reporting

The *Made outside of London programme titles register* has been useful in improving transparency around how broadcasters are meeting their quota requirements. We have been in discussions with Ofcom and the other PSBs to look at how the reporting system might be able to be improved and we want to continue these conversations and work collaboratively to ensure we achieve an optimum balance between providing transparency and ensuring the industry has confidence in the system, and creating robust compliance and reporting and procedures that take into account the sensitivity of certain personal and commercial data and do not put unreasonable demands on production companies or PSBs.

We are aware that another question which has been raised in relation to reporting is the way in which a programme is allocated to a Nation or macro region. The realities of making a programme mean it is extremely rare that either the production spend or production talent criteria will be met in just one Nation or Region. A single production may actually meet the criteria with a combination of talent from or spend in all of the macro regions in the Ofcom categorisation. The system must take account of this complex reality whilst at the same time allowing for a reporting system that is not overly burdensome and a *Made out of London register* that is not unhelpfully complex.

9. Conclusion

Whilst the system may not be perfect, it has provided an effective means of simplifying and measuring what is actually a very complex picture around regional production. In doing so it has effectively incentivised PSBs to drive up regional production in a meaningful, long-term and sustainable way, as our own work over the last thirteen years shows. There is a lot that the current system does not capture, including regional spend on productions that do not meet the regional criteria, regional content spend outside of the main PSB channels (in our case E4, More4, All4 only content, digital content and a large amount of Film 4 regional spend) as well as the investment in development work, talent and skills programmes in the Nations and Regions. Nonetheless, looking at the picture as a whole, we believe the current system continues to be the most appropriate and effective means of measuring regional production and continuing the considerable momentum that we are now seeing in driving the growth of end-to-end production in the Nations and Regions.

As we have set out, the Ofcom regional quota system was developed as an economic lever and a mechanism of industrial strategy to "support and strengthen production in the UK's nations and regions". Measured against this objective the evidence shows that they are working well. Since the *Regional TV production and programming guidance* was introduced in 2004 not only has Channel 4's total spend on main channel first run originated content (except news) grown significantly from

£353m in 2005 to £407m in 2016, but the percentage of this spend which comes from the Nations and Regions has grown from 31% in 2004 to 40% in 2016. Over this time PSBs have developed multi-faceted strategies for creating long-term sustainable growth and these strategies are paying off, delivering benefits that go well beyond what is captured by the Nations and Regions quotas. We have seen Channel 4's production in the Nations and Regions increase significantly, to a record £169m in 2016. Our new 4 All the UK strategy, and our voluntary new 50% regional programming target, will bolster and significantly build upon this sustainable, long-term growth, as well as bringing wider benefits in terms of representation and portrayal.

The systems which have sprung up to support growth are complex and involve a range of measures which can be tailored to meet the needs of a wide range of companies, delivering different types of programming, in different local contexts. A key strength of the criteria as they stand is that they can accommodate this diversity of need and approach and reflect the fact that sustainable growth involves both London based companies and non-London companies, those who wish to get to scale and those who don't. This flexibility has been key to the success of the criteria to date and in a rapidly changing production market that flexibility is absolutely key to their continued success going forward.

On the whole, given the evidence we have and the case studies we have set out, we believe the system is working well and that the three criteria achieve the right balance between promoting regional production and allowing both producers and broadcasters the flexibility to compete and thrive in a complex and changing production landscape.

However we recognise that it is vital that the system has the confidence of the sector as a whole and we understand that over recent years some industry stakeholders have expressed concerns about how the system is working in practice.

Where issues have occurred or concerns have been raised to undermine confidence, these have largely fallen into one of three categories:

- Questions around the purpose of the quotas and what they are trying to achieve – for example a focus on portrayal, or on solely indigenous production companies;
- Questions of interpretation – the criteria are designed to provide important flexibility but this can cause issues if their application is not consistent;
- And questions around reporting and transparency – such as the location of a substantive base or the allocation of a region.

With this in mind we do not believe that the criteria need to be fundamentally changed to deliver on their goal of stimulating growth in the Nations and Regions. Instead we believe that a number of steps can be taken to improve confidence in the system and ensure consistency of application and greater transparency around compliance and reporting:

- 1) Ofcom should work with the PSBs and PACT to ensure regular dialogue around how the system is working in order to identify problems, foster greater consistency in application

and facilitate the sharing of best practice. This could take the form of a working group and could also help to encourage greater collaboration around shared challenges such as training and retention in the Nations and Regions. It could also look at how expectations around the criteria are communicated to production companies and whether this can be improved in any way.

- 2) Whilst we believe that broadcasters, followed by PACT, should always be the first point of contact about how the regional production criteria should be interpreted, we are aware that at times production companies are contacting various arms of Ofcom for clarification. We would like to work with Ofcom and the other broadcasters to ensure that where this happens there is a consistent approach.
- 3) Ofcom should work with the PSBs to improve the quality and transparency of reporting against the made outside of London quotas. This could include improvements to both our own internal systems and to Ofcom's collection and reporting procedures.
- 4) Ofcom should ensure that there is a clear and timely process for dealing with any complaints about how the system is working.

If any changes are to be brought in, this should be done in a way that gives PSBs adequate time to comply, and does not put disproportionate burden on their resources or unduly alter the balance of the PSB compact. This is particularly important for Channel 4 as we implement the biggest change to our organisation in its 35 year history through our 4 All the UK plan.

Even small changes to the system could have major implications for the sector which has been working with this system for some time and has developed plans and strategies for the future which are based around it. The existing system and the work which supports it is extremely complex meaning that what may sound like simple changes may actually have huge repercussions for both PSBs and production companies. With this in mind, if the findings of this initial call for evidence leave Ofcom minded to make changes to the system then it is absolutely vital that any change is given careful consideration, including proper consultation on more concrete potential options.

At present there is a real momentum across the PSBs to drive up commissioning and production in the Nations and Regions and work to support skills development and a strong talent pipeline across the UK. We believe this has the potential to deliver real results and would not want anything to stall or derail this. If there are to be any changes to the current system Ofcom must be clear that these will build on the momentum which currently exists in this area, supporting and building on the ongoing investment and measures to boost production and skills in the Nations and Regions, and incentivising further investment. Unless this can be guaranteed, we believe there is a strong argument for allowing the ongoing changes to take shape and come to fruition before assessing whether any additional changes to the system are needed. This reflects our wider view that regulatory levers should only be considered when organic, voluntary measures have demonstrably failed.