
Channel 4 Corporation's performance in delivering its media content duties 2014 - 2018

REPORT

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1. Overview

Channel 4 Corporation ('C4C') has been given a range of media content duties by Parliament which it must deliver across all of its services (Channel 4, E4, More4, 4Seven, Film4, as well as its on demand-service All 4). These duties include requirements to provide news and current affairs, to provide content which appeals to older children and young adults, to support the development of people with creative talent and to promote alternative views and new perspectives.

In addition to the media content duties, C4C's main channel, Channel 4, has a unique statutory remit, meaning it needs to provide a broad range of high-quality and diverse programming. This programming should demonstrate innovation, appeal to the tastes and interests of a culturally diverse society, include programmes of an educational nature, and exhibit a distinctive character.

On an annual basis, C4C produces its Statement of Media Content Policy ('Statement') setting out how it delivered these statutory requirements over the course of the previous year and how it plans to do so in the coming year. In preparing this Statement, C4C should consult with Ofcom and we publish our response to it each year. In addition, Ofcom is required to undertake a periodic review of C4C's delivery of its media content duties and publish a report.

This statement sets out the findings and conclusions of our second review of C4C's performance in delivering its media content duties over the period 2014-2018. We have also published today our review of C4C's main channel, Channel 4's contribution to the broader PSB remit in *Small Screen, Big Debate: A five-year review of public service broadcasting*.

Key findings and conclusions

- **C4C largely met its media content duties between 2014 and 2018.** During this review period C4C's investment in UK-originated content reached record levels. Each year it continued to show a broad range of high-quality programmes, with audiences consistently rating Channel 4 more highly than other PSB services in taking creative risks, as well as in tackling issues that other broadcasters would not, and enabling alternative voices to be heard. Over the review period, C4C sought ways to maximise the reach and impact of its content by successfully innovating online. The coverage C4C gave to the UK's diversity also continued to be a strength, and audiences placed significant value on its news and current affairs output as a trusted and independent take on national and international events. Film4's approach to investment resulted in commercial success over the review period and generated revenues to support UK talent.
- **C4C did not show as many new ideas on screen, or source as many commissions from different producers.** C4C showed significantly fewer new and one-off programmes on Channel 4 during this review period compared with the previous period. Popular returning series in Channel 4's schedule helps to attract audiences, but it is equally important that C4C continues to experiment and take risks with new content; some of this new content could become the spine of the schedule in future years. Another important way to promote innovation is through sourcing content from a diverse range of producers. Over the review period, there have been declines in both the overall number of producers supplying C4C and, in more recent years, the number of producers new to C4C.
- **Younger people turning away from broadcast TV present an acute challenge for C4C.** Younger people are at the heart of what C4C does. Over the last five years, C4C's viewing performance has generally held up well in a challenging market but, in common with other PSB channels, younger audiences spent increasingly less time with Channel 4 and the rest of the C4C portfolio, and more time with on-demand and online services. Many of C4C's programmes continued to be a big draw for younger people, but C4C recognises that it needs to strengthen its offer generally in this area. Bolstering the performance of E4 will be key to this, as will deepening engagement with younger audiences online through All 4 and social media.
- **C4C acted to improve its provision aimed at older children and teenagers.** In the earlier years of the review period, we raised concerns about C4C's levels of investment in content that appealed to older children, and in educational output for 14-19 year-olds. C4C has since increased spend in both these types of programmes, and many of the resulting titles have been popular with these age groups. In April 2019, C4C made further commitments to develop a new YouTube channel for teenagers, which is due to launch in the first half of 2020. Connecting in innovative ways with these hard-to-reach audiences is an important aspect of C4C's duties and should help strengthen its relationship with younger audiences.

- **C4C's '4 All the UK' relocation plans aim to improve investment and representation outside London.** Like the other PSB channels, Channel 4 has quotas to fulfil relating to production spend and hours in the nations and regions. During the review period, Channel 4 has consistently exceeded its quotas for production spend and hours in the nations and regions, providing targeted support to producers around the UK. As part of its media content duties, C4C is also required to produce content that appeals to a culturally diverse society. C4C's '4 All the UK' relocation plans should bolster its investment and representation outside London. Successful implementation of these plans could help tackle long-standing audience perceptions that C4C could do more to better represent and portray the nations and regions on screen.
- **The risks to C4C's delivery of its media content duties are growing.** TV advertising budgets remain under pressure and the outlook remains uncertain. C4C relies heavily on TV advertising and is particularly vulnerable to fluctuations in the market because it cannot diversify its revenue streams via a production arm. A prolonged market downturn remains a threat and could force C4C to make cuts that would be likely to affect the range and quality of its content across its services. This would pose a significant risk to C4C's ability to deliver its media content duties. A marked acceleration in the pace of change in audience viewing habits could also threaten the broadcaster's advertising revenues in the longer term. However, we note C4C's strong focus on enhancing its online provision and capabilities in line with changing consumer habits, and on supporting its digital advertising revenue streams.
- **Understanding C4C's role in the future of the PSB system.** Over the coming year, we will consider C4C's contribution to public service broadcasting, and if and how its obligations might need to change in the future, through facilitating our *Small Screen: Big Debate* review with industry, government, Parliament, and audiences. We will build on this review, and our wider review of the PSBs' performance during 2014 to 2018, considering what audiences will want from PSB over the next five to ten years, and what is sustainable. We will consult with the public, industry and stakeholders on how the PSB system could be strengthened before we make recommendations to government.

The overview section in this document is a simplified high-level summary only. Our reasoning is set out in the full document.

2. Background

Channel 4 Corporation occupies a unique place in the public service broadcasting system

Channel 4 Corporation ("C4C") differs from the other public service broadcasters (the BBC, ITV, STV, Channel 5 and S4C) in that it is publicly owned but commercially funded. Operating under a not-for-profit model means all of C4C's revenues are invested back into its content and operations. Only Channel 4 (the main channel) has a unique statutory remit, but C4C has media content duties that can be delivered across all of its services (see section 2.5).

C4C provides content across its main channel (Channel 4), its portfolio of channels (E4, More4, Film4 and 4Seven) as well as online, primarily through its video-on-demand service All 4. C4C is a publisher-broadcaster, meaning that it does not produce its own programmes but commissions them from production companies across the UK. To support its film-making and distribution duties, C4C has a film production company, Film4 Productions, which helps develop and finance films.

C4C's duties are defined in statute

C4C's main channel, Channel 4, must provide a broad range of high-quality and diverse programming which demonstrates innovation, appeals to the tastes and interests of a culturally diverse society, includes programmes of an educational nature, and exhibits a distinctive character.¹ It also has quota obligations, including for original productions and for programmes made outside London.²

The Digital Economy Act 2010 extended C4C's obligations beyond the main channel by introducing a range of media content duties which can be delivered across all of its services.³ They include requirements to:

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

¹ Section 265(3) of the Communications Act 2003. See also the [Channel 4 licence](#).

² Sections 278 and 288 of the Communications Act 2003. See also the Channel 4 licence.

³ Section 198A of the Communications Act 2003, which was introduced by [the Digital Economy Act 2010](#).

- g) promote measures intended to ensure that people are well-informed and motivated to participate in society, and
- h) support and stimulate well-informed debate on a wide range of issues, including by providing information and views from around the world and by challenging established views.

C4C is responsible for determining its strategy for delivering these duties, the outcomes it intends to deliver and the measures by which it will assess its success.

In addition to its unique statutory remit, the main channel, Channel 4, must also, together with the other PSBs, fulfil the purposes and objectives of public service broadcasting as set out in the Communications Act 2003.⁴

Ofcom holds C4C to account for the delivery of its content duties

Ofcom has responsibility for ensuring that C4C fulfils its content duties, but as a publicly-owned institution C4C is also accountable to government and Parliament.

C4C lays its Annual Report and Accounts before Parliament. It includes in this report its annual Statement of Media Content Policy ("SMCP"), setting out its proposals for delivering its PSB remit and media content duties in the coming year and reporting on its performance over the past year. C4C consults Ofcom in preparing each SMCP. In response to the SMCP, Ofcom sets out its views on the delivery of C4C's duties each year, which we refer to in this statement as "annual reviews".

In addition, Ofcom must review and report on the extent to which C4C has discharged its wider media content duties.⁵ This statement sets out our findings and conclusions of C4C's delivery of its media content duties over the same time period as the PSB review (2014-2018).

Ofcom is also required to report periodically on how the PSB services (including the BBC, Channel 3, Channel 4, Channel 5 and S4C) have, when taken together, fulfilled the statutory PSB remit. We have published separately today our latest periodic review of the performance of the PSB system as a whole⁶.

⁴ Section 264 of the Communications Act 2003.

⁵ The statutory framework for the review of C4C's media content duties is set out in Annex A1.

⁶ Ofcom Small Screen, Big Debate: A five-year review of public service broadcasting, xx.xx.2020

3. Market context

This section summarises the market context that C4C operates in, and its audience and commercial performance between 2014 and 2018. It also discusses the risks to C4C's continued delivery of its media content duties over the remaining period of its current licence (until 2024).

In a difficult broadcasting market, C4C's performance held up well

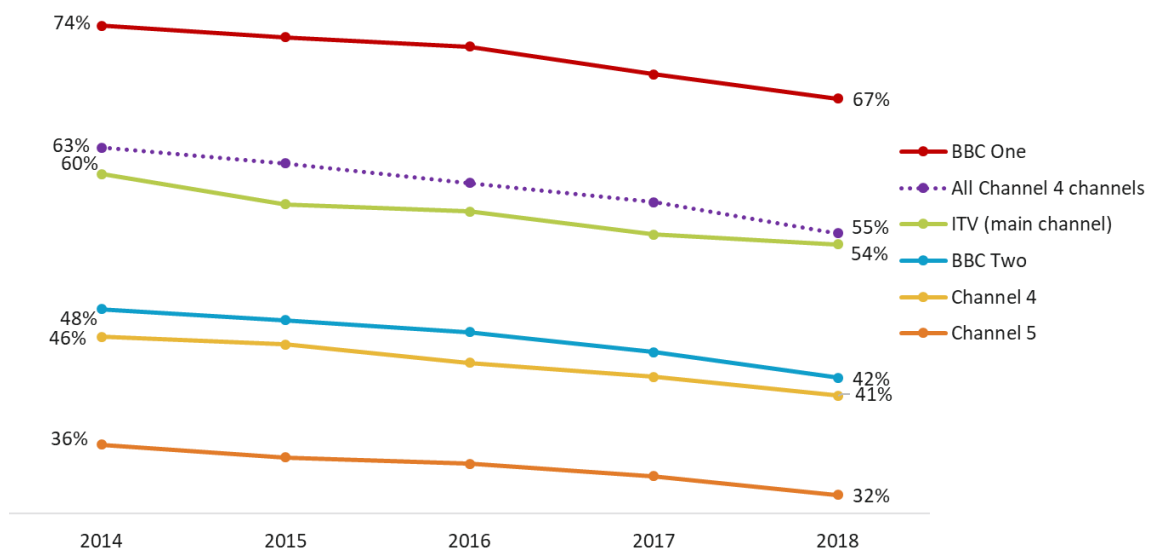
As we outline in our review of public service broadcasting,⁷ between 2014 and 2018 the UK media market experienced fundamental change. The rapid growth of online and subscription video-on-demand (VoD) services, including global players like Netflix and Amazon Prime Video, has expanded choice and made the TV market much more competitive. All broadcasters experienced declines in the reach of their TV portfolios over this period. Among younger audiences especially, there has been a significant decline in viewing of broadcast television as they move online. In 2018, 16-34 year-olds watched almost a third less broadcast TV a day on traditional sets than in 2014, with these declines even more pronounced for under-24s⁸.

We consider that over the review period the performance of C4C in attracting audiences held up well against the pressures facing broadcast television. C4C remains the third-biggest UK broadcaster in terms of audience reach, behind the BBC and ITV (figure 1), and across C4C's portfolio 55% of people watched one or more of its family of channels each week in 2018. In relation to viewing share, Channel 4's performance has remained stable, with share across C4C's portfolio experiencing some decline (figure 2).

⁷ Ofcom *Small Screen: Big Debate: A five-year review of public service broadcasting*, xx.xx.2020

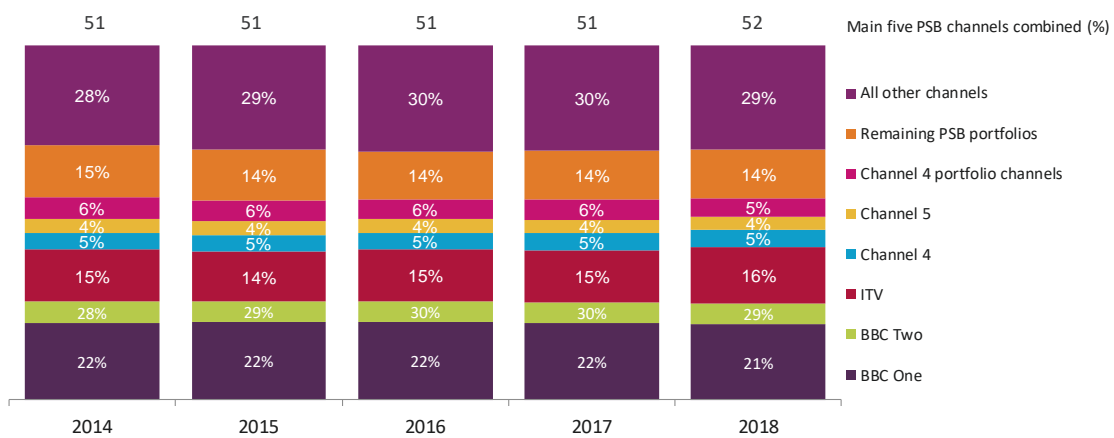
⁸ Source: BARB.

Figure 1: Reach of main PSB channels and all Channel 4 channels, all individuals: 2014-2018



Source: BARB, individuals 4+, average weekly reach % (15+ consecutive minutes). The main five PSB channels exclude their +1 channels.

Figure 2: Channel share of broadcast TV viewing, all individuals: 2014-2018

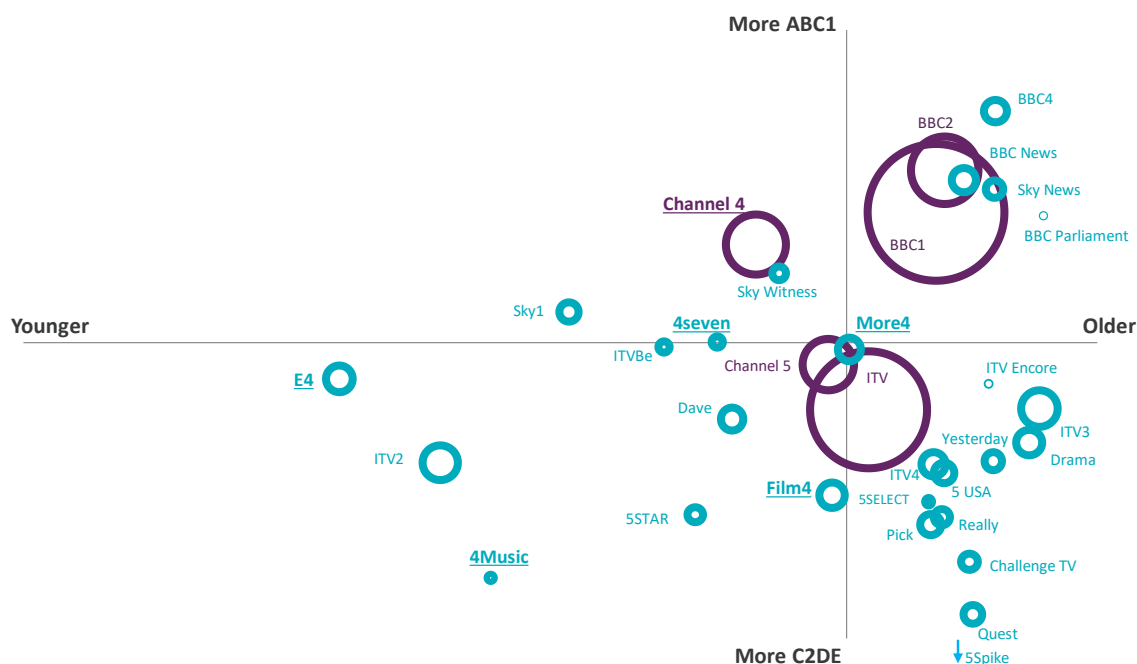


Source: BARB. The main five PSB channels excludes viewing to their +1 channels.

The critical challenge for C4C is how to continue to attract and retain younger audiences

Younger audiences are vital to C4C, both in delivering its media content duties and in driving its commercial revenues. Figure 3 shows that the C4C channels continue to stand out among the PSB broadcasters for having a much younger (and more ABC1) audience profile. This enables C4C to continue offering a unique proposition to advertisers in terms of reaching these audiences.

Figure 3: Channel adult profiles: 2018



Source: BARB. Size of bubbles relate to share of adults 16+. Profile based on age: % 35+, social class: % ABC1. Axes cross at the average age/social profile of total TV. Includes HD variants, excludes +1 variants.

While the absolute number of young people watching broadcast television has declined, of those who do watch, Channel 4’s share performance has remained resilient. Among 16-34 year-olds, share has ranged from 6.3% to 6.5% across the five years. Established series such as *Hollyoaks*, *Gogglebox* and *the Great British Bake Off*, as well as several other factual entertainment titles, have proved enduringly popular with this audience.

The portfolio channels also play a critical role in C4C’s ability to attract younger audiences; none more so than the dedicated youth-focused channel E4. In our annual reviews, we have highlighted that E4’s performance has stalled somewhat over the review period as competition for younger viewers has intensified. It experienced the greatest decline in share across the C4C family, falling from 2.0% in 2014 to 1.6% in 2018⁹, and in 2017 it lost its position to ITV 2 as the most-watched digital channel among 16-34 year-olds.

In 2018, C4C acted to address this dip in performance by putting an extra £10m into E4’s commissioning budget and appointing a dedicated Controller for the channel. More generally, in 2018 C4C launched its new creative strategy; a core part of this is to strengthen its offering to younger audiences. It is too soon for Ofcom to assess the impact of these plans on screen, but we will continue to monitor C4C’s performance among youth audiences.

⁹ Source: BARB

Online consumption of C4C content has grown steadily

Broadcast viewing now tells only part of the story, particularly for younger audiences. In 2015, C4C re-launched its VoD proposition as All 4. It has since invested significantly in the service to improve the user experience, and with the aim of making All 4 a destination of choice in its own right.

Over the period, the number of people viewing All 4 content has steadily increased. In 2016, the first full year in which viewers were able to access content through the relaunched service, 620 million programme views were initiated. This rose to 915 million views in 2018, an increase of 32%.¹⁰ In terms of audience profile, All 4 is the PSB player that attracts the youngest audience; 49% of its weekly adult viewers were aged 15-34 in 2018.¹¹

Industry data indicate that, for the foreseeable future, viewing on broadcasters' VoD platforms will not achieve the volumes of viewing to their linear channels. In 2018 the average time spent on All 4 represented 9% of the total time spent viewing all C4C services, similar in proportion to the other PSB players such as BBC iPlayer.¹²

C4C has managed its finances to protect content investment¹³

TV advertising remains a critical source of revenue for commercial broadcasters, and as figure 4 shows, television remains the most effective medium for advertisers to engage with mass audiences. This is despite the growth of online display advertising. However, the weakening of the TV advertising market since 2017 has put greater pressures on the revenues of commercial broadcasters.

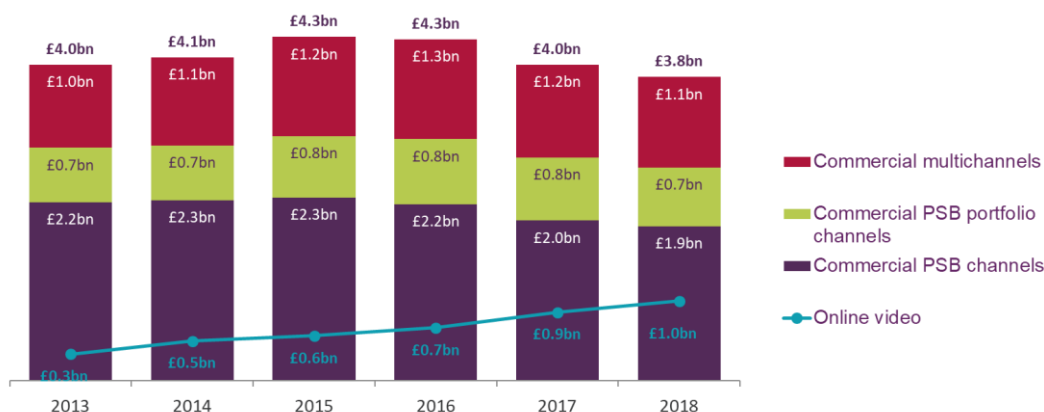
¹⁰ [Channel 4 Television Corporation report and financial statements](#), 2016, p.9. and 2018, p.40 (hereafter, *Channel 4 Corporation report*)

¹¹ Source: TouchPoints 2018

¹² Source TouchPoints 2018

¹³ Unless otherwise stated, financial figures referred to in the report are expressed in nominal terms

Figure 4: TV and online video advertising revenue (£bn; real terms): 2014-2018

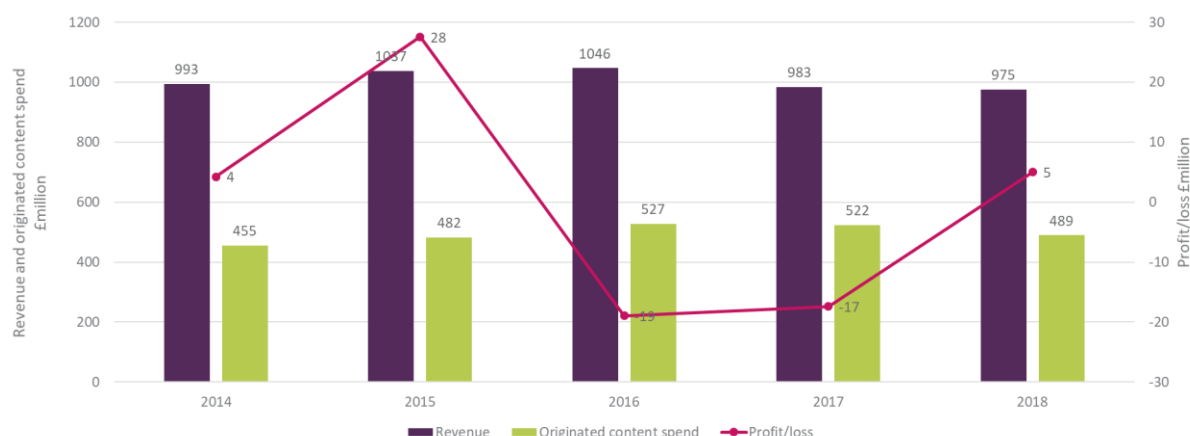


Source: Ofcom/broadcasters, IAB.

TV advertising is by far the main source of funding for C4C which, as a publisher-broadcaster, is particularly exposed to volatility in the market. The other PSB services produce their own content, which allows them to generate commercial revenue from the associated intellectual property, but C4C cannot diversify its revenue streams via a production arm. As figure 4 shows, while C4C's revenues and its originated content spend increased between 2014 and 2016, the more challenging trading conditions in the later years meant that C4C decreased its investment in originated content. Following two years in which C4C drew on its reserves to protect investment, in 2018 C4C managed its finances to achieve a small surplus. As a result, originated content spend declined to £489m. However, it is important to note that this figure still represented the third-highest level in C4C's history.

In managing its finances, C4C operates a cross-subsidy model, whereby commercially successful programmes help subsidise less profitable genres such as news and current affairs. A good example of this is *The Great British Bake Off*, which, since 2016, has been shown on Channel 4 but which was previously shown on the BBC. Now in its third series on Channel 4, this has become one of C4C's most successful programmes, performing especially well among younger audiences and driving commercial revenues. During the review period it made a significant contribution to Channel 4's overall viewing relative to the number of hours it contributed to total output on the channel.

Figure 5: C4C financial indicators (£m; real terms): 2014-2018



Source: Channel 4.

Over the review period, C4C has continued to invest in digital innovation. This enabled it to increase its digital revenues, which grew solidly over the review period from £63m in 2014¹⁴ to £138m in 2018¹⁵, and now represent 14% of C4C's total revenue¹⁶.

This growth has been driven in part by C4C's data strategy, which has seen All 4 increase its registered users from 11.3 million in 2014¹⁷ to 19.6 million in 2018¹⁸. This large user base has enabled C4C to offer demographic targeted advertising, which enables C4C to tell advertisers more about the people it is reaching, and which it can sell at a premium rate. Digital revenues will become more important as more viewers move to on-demand consumption.

C4C has also generated more revenue from other sources. For example, 2018 was a strong year for film income with Film4's co-production, *Three Billboards Outside Ebbing, Missouri*, achieving significant commercial as well as critical success.

The risks to C4C's delivery of its media content duties are growing

TV advertising budgets continue to remain under pressure because of a general slowing of the UK economy, and general business uncertainty¹⁹. It is clear from our annual reviews and ongoing discussions with C4C that it is taking steps to manage its finances so that it can weather short-term volatility in the advertising market.

The outlook remains uncertain, however. A prolonged downturn in the TV advertising market remains a significant potential risk to C4C. In such a scenario, C4C might need to reduce content investment significantly in order to break even and maintain sufficient cash reserves. Such cuts could diminish C4C's ability to deliver its media content duties as it would probably reduce the range and quality of its content offering across its services.

¹⁴ Channel 4 Television Corporation report, 2014, p.100.

¹⁵ Channel 4 Television Corporation report, 2018, p.156.

¹⁶ Channel 4 Television Corporation report, 2018, p.10.

¹⁷ Channel 4 Television Corporation report, 2014, p.5.

¹⁸ Channel 4 Television Corporation report, 2018, p.40.

¹⁹ Office for National Statistics, [GDP first quarterly estimate October-December 2019](#), February 2020.

Channel 4 Corporation's performance in delivering its media content duties, 2014-2018.

In the longer term, a marked acceleration in the pace of change in audience habits could threaten C4C's sustainability as a business. A much faster than expected shift of viewing away from broadcast TV to online services, particularly among younger people, could result in C4C being unable to command the same advertising premium it receives today for delivering mass scale and reach with a younger audience skew. However, we note C4C's continuing strong focus on enhancing its digital online capabilities in line with changing habits and supporting its digital advertising revenue streams.

4. The performance of C4C in delivering its media content duties

This section presents our findings and conclusions on the extent to which C4C has delivered its media content duties over the review period (2014-2018).

Given the extensive nature of its duties, we do not comment on all aspects of C4C's performance. Instead, drawing on our annual reviews of C4C's SMCP, we focus on a number of key themes and findings.

Delivering high quality media content

In delivering its media content duties, C4C must participate in making a broad range of relevant media content of high quality which, taken as a whole, appeals to the tastes and interests of a culturally diverse society. Under its statutory remit, Channel 4 must invest in a broad range of high-quality and diverse programmes that demonstrate innovation, experimentation, creativity and distinctiveness.

C4C has gone through a period of uncertainty and change in recent years. In 2015 the government looked at options for the future of C4C, including potential privatisation, and this was followed by a public consultation in early 2017 into C4C's impact in the nations and regions. In late 2017 and early 2018, C4C made changes to its leadership team including appointing a new Chief Executive and a new Director of Programmes.

In spring 2018, C4C announced changes to its creative strategy under the new leadership team.²⁰ These plans include creating space in Channel 4's schedule for more experimentation and risk-taking, an increased focus on titles for younger audiences, including through greater investment in E4, more funding for new comedy, a multiplatform approach to commissioning (incorporating digital and social media aspects from the start), and further initiatives to help deliver C4C's aim of being the best partner for creative talent.

The commissioning process is such that we will not immediately see the effects of these plans on screen, but we will monitor this in our ongoing annual reviews of the Statement.

C4C has shown strong commitment to investing in UK-originated content, but 2018 saw some decline in spend

In order to assess C4C's performance, as part of our annual reviews we look at the following key metrics: levels of investment in UK-originated content across its services (first-run transmissions and repeats), the quantity of first-run originations shown across its services, and the range and type of this content.

²⁰ [Speech by Ian Katz](#), Channel 4 Director of Programmes, 16 May 2018.

As described above, C4C has continued to invest in UK-originated content at high levels. C4C's total spend in real terms on UK-originated content increased from £455m in 2014²¹ to £489m in 2018²².

As of 2018, almost 85% of this spend goes on Channel 4, as it attracts the biggest audiences and is where C4C looks to deliver the majority of its duties²³. Over the review period C4C acted to protect this spend. In 2018, it invested £445m in originated content on Channel 4²⁴, an increase of 16% compared to 2014²⁵ and slightly higher than in 2017. In protecting spend on the main channel, C4C cut spending on its portfolio channels and digital media, with these services becoming more reliant on repeats and acquisitions.

Although relatively stable overall, the volume of first-run originated programmes also declined in 2018

Figure 6 shows the number of hours of first-run UK-originated programmes shown each year on C4C's family of channels, by genre. In 2014 and 2016 the number of sports hours increased significantly due to C4C's extensive coverage of the Sochi Winter Paralympics and the Rio Paralympics respectively. Despite this, the overall picture is one of relative stability in output across the genres, apart from a long-term decline in entertainment programming.

In 2018, overall hours of first-run originations on the main channel declined by 4% year on year, and by 26% on the portfolio channels. C4C reported that this fall in volume reflected the fall in UK-originated content investment in 2018. We noted our concern with these declines in our last annual review and it is an area that we will continue to monitor closely.²⁶ Peak time on Channel 4 (6pm – 10.30pm) remains the time when most audiences watch C4C content, and C4C ensured that the proportion of hours accounted for by first-run originations during this time remained stable at over 70% over the period.

²¹ Channel 4 Television Corporation report, 2014, p. 6.

²² Channel 4 Television Corporation report, 2018, p. 48.

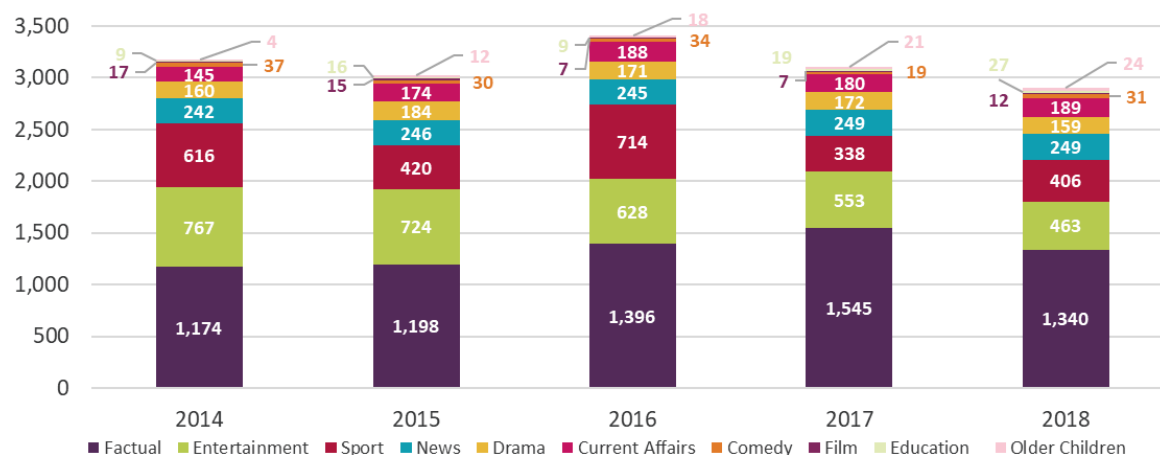
²³ Channel 4 Television Corporation report, 2018, p. 109.

²⁴ Channel 4 Television Corporation report, 2018, p. 109.

²⁵ Channel 4 Television Corporation report, 2014, p. 17.

²⁶ Ofcom's response to Channel 4 Corporation's 2018/19 Statement of Media Content Policy, 11th June 2019, np.

Figure 6: Hours of first-run UK-originated programmes on Channel 4 and portfolio channels, by genre: 2014-2018

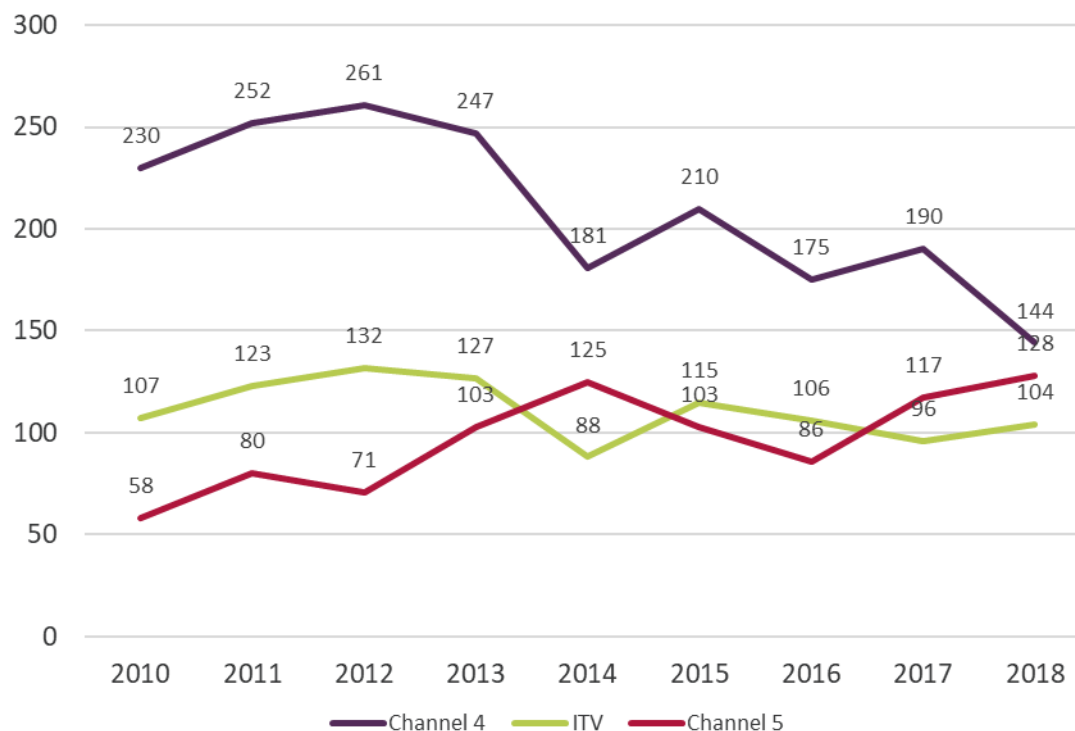


Source: Channel 4

A greater focus on returning series has meant less space for new ideas

The amount of new and one-off programmes commissioned each year provides another indication of C4C's commitment to creativity, experimentation and variety. Each year, C4C reports the number of such programmes in any genre broadcast between 6pm and midnight on Channel 4 and the other PSB channels. Over the period, C4C reports this number has been consistently higher than those of ITV and Channel 5, indicating C4C's willingness to try more new ideas than the commercial PSBs (figure 6). However, as figure 7 shows, C4C commissioned significantly fewer new and one-off programmes each year over this reporting period compared to each year of the previous reporting period (2010-2013). In 2018, the number fell markedly; by 24% year on year. C4C reported that this decline was in part due to its reduced content budget, which meant that it commissioned fewer programmes, and in particular, fewer new documentaries and one-off features.

Figure 7: Number of new and one-off programmes between 6pm and midnight on Channel 4: 2010-2018.



Source: Channel 4

C4C also reported that its provision of new and one-off programmes had declined as a result of its strategy over the review period to build Channel 4’s schedule around successful returning series. These series include newer titles such as *Ackley Bridge*, *Lego Masters* and *The Great British Bake Off*²⁷ (all first aired in 2017) as well as long-running titles such as *Gogglebox*, *24 Hours in A&E*, *8 out of 10 Cats Does Countdown*, and *Grand Designs*. These programmes drive viewing to Channel 4 as well as catch-up viewing on All 4. They also help C4C support the production sector, as winning these commissions can help production companies achieve scale and be commercially sustainable. We recognise the value of returning series and the importance to C4C of its association with well-known and distinctive programme ‘brands’. However, in delivering its duties, it is equally important that C4C finds compelling new content to help build a schedule for the future. This involves taking risks by experimenting with new titles, but also by phasing out some titles and formats that have been in the schedules for a long time and which might be edging out new ideas. As highlighted in our annual reviews, we would not consider that C4C was delivering its duties effectively if it became too dependent on a small number of long-running titles to attract audiences²⁸. We will continue to monitor this area closely in our annual reviews.

²⁸ Ofcom’s response to Channel 4 Corporation’s 2017/18 Statement of Media Content Policy, 5 June 2018, and Ofcom’s response to Channel 4 Corporation’s 2018/19 Statement of Media Content Policy, 11 June 2019.

Audiences regard Channel 4 as more risk-taking than the other PSB services

Evidence from Ofcom's annual PSB Tracker survey consistently shows that regular viewers of Channel 4 value its offering as one that is high-quality, and that demonstrates creativity and a willingness to take risks. Over the review period, the results indicated that Channel 4 outperformed the other PSB channels in tackling issues that other broadcasters would not; this contributes to its duties to support and stimulate well-informed debate, to promote alternative views and new perspectives, and to challenge mainstream ideas about different cultures and ways of life. Channel 4 performed particularly highly on statements in our survey relating to its originality and innovation, delivering above the PSB average against the statements: *'It shows programmes with new ideas/different approaches'* and *'The style of the programmes is different to what I'd expect to see on other channels'*. C4C reported similar results from its own annual reputation tracker.²⁹

In 2017, we commissioned research to understand in more depth what audiences think about C4C's delivery. This research strongly supported the view that C4C provides a creative offering which promotes alternative views and new perspectives.³⁰

C4C's coverage of the UK's diversity is an area of strength

An area in which C4C stands out as leading the UK industry is in its on-screen coverage of diversity and inclusion. C4C reports each year on the hours of programming on the main channel which cover diversity issues such as religion, multiculturalism, disability and sexuality. C4C has consistently shown a strong commitment to programmes in this area. Over the review period, there have been many examples of how it has reflected the diversity of the UK across a range of its programming, particularly on the main channel and on E4, including popular programmes like *Gogglebox*, *Educating Yorkshire*, *The Undateables* and *The Last Leg*.

An example of C4C's approach to fulfilling its media content duties, including challenging established views, was its extensive coverage of the 2016 Paralympic Games in Rio. This built on its success in covering the 2012 Paralympic Games in London. C4C reported that its Rio coverage reached 27.2 million people in the UK in total.³¹ The audience research that C4C undertook on this coverage showed that most people felt that it talked about disabilities in the right tone and improved society's perceptions of disabled people.³²

C4C has successfully innovated online to attract audiences

C4C should also look to promote innovation when it distributes its content via different services, and promote access to and awareness of services provided online.

All 4 is C4C's main form of distribution other than broadcast television. It is available on a wide range of platforms (26 as at the end of 2018) including Freeview Play, Youview, Sky, Virgin, Amazon Fire TV and iOS and Android platforms. Over the review period, C4C has invested significantly in All 4 to keep pace with technological change and rising consumer expectations, including the increasing

²⁹ [Ofcom/Channel 4](#).

³⁰ [Ofcom Channel 4 remit research report](#), 12th July 2017.

³¹ [Ofcom's response to Channel 4 Corporation's 2016/17 Statement of Media Content Policy](#), 12th July 2017, p. 23.

³² Channel 4 Television Corporation report, 2016, p. 14-5.

numbers of viewers choosing to watch VoD content on connected TVs. As described below, this investment has increased All 4's usage figures and has also resulted in more people using the service on a more frequent basis.³³

In an increasingly crowded online environment, C4C has sought to differentiate All 4 to make it stand out from the competition. Its curation strategy has been to develop All 4's offering beyond catch-up titles by adding content from its archive library as well as exclusive content specifically acquired for the service. *Walter Presents*, a channel dedicated to foreign-language programming, is an example of All 4's innovation in this area. In 2018, C4C entered into new partnerships with digital media companies VICE and Adult Swim. We will consider the success of these partnerships as part of our annual reviews, particularly in how they contribute to engaging younger audiences.

While All 4 viewing of archive and exclusive content grew steadily over the review period, catch-up viewing of first-run content still accounted for around half of all viewing on the platform.³⁴ Catch-up viewing has concentrated primarily on established titles such as *Hollyoaks*, *the Great British Bake Off* and *Made in Chelsea*, although certain newer commissions such as *The Circle* have gained strong VoD audiences. Archive viewing has been driven by classic shows such as *the Inbetweeners*, *Shameless* and *Peep Show* and, for exclusives, viewing has been driven by US acquisitions such as *Dawson's Creek* and *90210*.

Looking at C4C's digital offering more widely, according to C4C, its websites and apps attracted a total of 702 million visits by users in 2018³⁵ compared to 634 million in 2014.³⁶ The driver behind this increase was visits to apps; such visits rose by 27% in 2018 compared to 2017. Visits to Channel 4's websites in 2018 fell by 11% year on year to 177 million, which C4C reported is in line with its strategy to direct mobile viewers to All 4 apps.³⁷

It is also positive to note that there has been significant growth in the consumption of Channel 4, E4 and All 4 content on social media. As a portfolio, C4 brands achieved more than 10 billion views on social media in 2018.³⁸

Over the review period, C4C has continued to improve its online innovation, and its significant social media presence has bolstered how it engages with audiences. However, the viewing data suggest that C4C still has some way to go before it changes audiences' perceptions of All 4 from it being a catch-up service to a video destination of first choice.

C4C plays a vital role as a stimulus for the UK's creative economy but its supply base is shrinking

As a publisher-broadcaster, C4C plays a unique and influential role in the UK's creative economy. Over the review period, C4C continued to work with a large number of producers. However, as figure 8 shows, this number declined between 2014 and 2018. During this period the sector went through a wave of consolidation, with several examples of global media companies acquiring some

³³ Channel 4 Television Corporation report, 2018, p.10.

³⁴ Channel 4 Television Corporation report, 2018, p.60.

³⁵ Channel 4 Television Corporation report, 2018, p.10.

³⁶ Channel 4 Television Corporation report, 2014, p.23.

³⁷ Channel 4 Television Corporation report, 2018, p.139.

³⁸ [Channel 4 Factsheet](#), January 2020, p. 1.

of the largest UK producers. These changes can partly explain the significant decline in the number of independent production companies³⁹ commissioned. In 2018, C4C commissioned 154 independent companies, down by 26% since 2014⁴⁰. For online suppliers the decline was even steeper; C4C worked with 36 online production companies in 2018, 61% less than in 2014⁴¹. C4C reports that the latter reduction reflects a change in All 4's strategy over the review period, and its shift to acquiring rather than commissioning content.⁴² C4C should continue to support the sector and promote innovation and creativity by sourcing content from a wide and diverse range of producers.

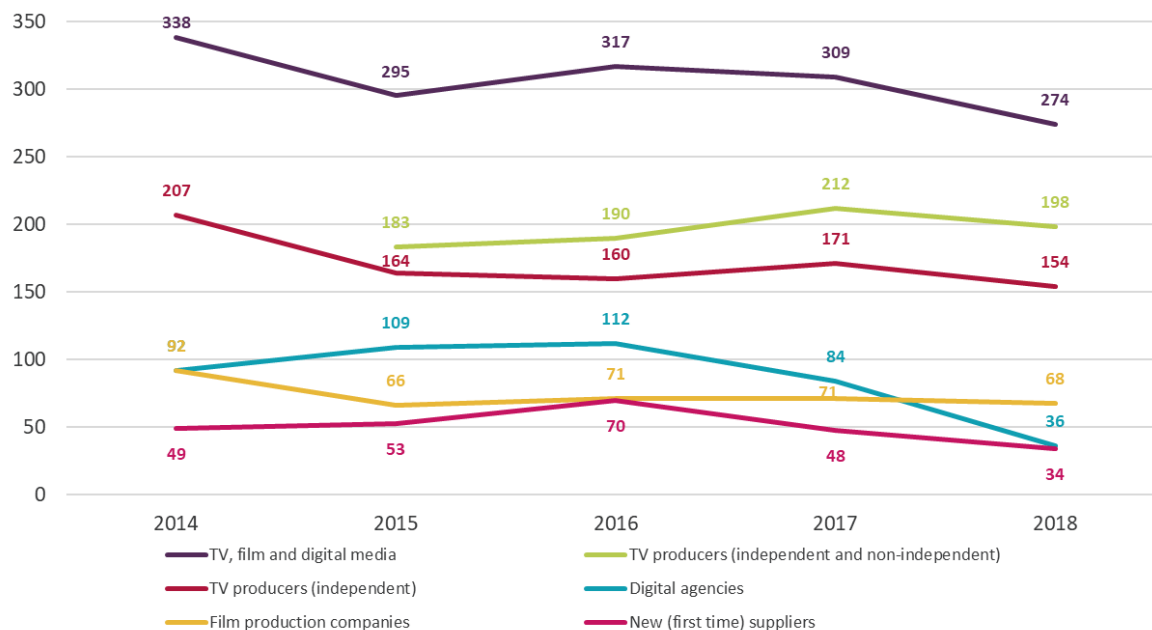
³⁹ As per the Broadcasting (Independent Productions) Order 1991 (as amended).

⁴⁰ Channel 4 Television Corporation report, 2018, p. 114, and Channel 4 Television Corporation report 2014, p. 18.

⁴¹ Channel 4 Television Corporation report, 2018, p. 114, and Channel 4 Television Corporation report, 2014, p. 18.

⁴² Channel 4 Television Corporation report, 2018, p. 107.

Figure 8: Number of companies working with C4C: all (TV, online, film); TV (all, and independent producers only); online; film; suppliers new to C4C: 2014-2018



Source: Channel 4.

In performing its media content duties, C4C should also support new and emerging production talent. Figure 8 shows that in the earlier years of the review period, C4C worked with an increasing number of producers (across TV, film and online) that were new to it. This trend reversed in 2017, indicating a reduced appetite to take risks with suppliers it had not worked with before. C4C largely attributes this decline to the shift in its All 4 strategy.⁴³

While it is important that C4C strengthens its relationships with existing suppliers to help build scale and promote sustainability, C4C plays a vital role as a stimulus for the UK's creative economy. Our annual reviews have highlighted the importance of C4C actively looking for and supporting a wider pool of producers to fulfil its media content duties effectively.

Appealing to a culturally diverse society

C4C has consistently outperformed its nations and regions quotas

A key element of C4C's commitment to providing content which appeals to a culturally diverse society is the work that it does in the nations and regions. The main impact it makes in this area is through its production spend and the amount of content it commissions from producers based outside London and around the UK. C4's nations and regions team also supports producers, and it has put increasing effort in recent years into working with smaller and medium-sized companies to help them build scale. The work of the nations' and regions' team contributes to C4C's duties to support people with creative talent, and to work with cultural organisations.

⁴³ Channel 4 Television Corporation report, 2018, p. 114.

As we discuss in 'Small Screen, Big Debate: A five-year review of public service broadcasting', C4C has a quota for 35% of first-run UK-originated programming (except news) on Channel 4 to be produced in the nations and regions, and this applies to both main channel spend and volume (number of hours). Of this, 3% of programming (both hours and spend) needs to be produced outside England – in Scotland, Wales or Northern Ireland. This quota will rise to 9% in 2020.

Over the last five years, C4C has consistently exceeded these quotas. In 2018, 59% of hours on Channel 4 were produced in the nations and regions; a record high. The equivalent figure for spend was 45%, the same level as in 2017. Of this spend, 8% was on programmes produced in Scotland, Wales and Northern Ireland (10% of hours). While this is only one percentage point below the new 2020 nations' spend quota, it is also one percentage point down on 2017 performance.⁴⁴ As such, C4C faces a challenge in meeting the 2020 quota, particularly in the light of the pressures on its content budget.

Audiences think Channel 4 could improve its representation and portrayal of the nations and regions on screen

Over the review period, results from Ofcom's annual PSB Tracker survey showed that, of all the statements in the survey, regular viewers of Channel 4 consistently rated its performance against the statement '*It portrays my region/nation fairly to the rest of the UK*' the lowest. C4C also performed less well than the PSB average for this statement and also for '*It shows different parts of the UK, including England, Northern Ireland, Scotland, Wales*'. While it is important to note that Channel 4 is likely to perform less well in these areas when compared to BBC One and ITV, which can both offer regional opt-out programming, and its performance is similar to that of Channel 5, these findings indicate that there is scope to improve.

The sitcom *Derry Girls*, first broadcast in 2018, is a stand-out example of how C4C effectively shows under-represented parts of the UK on mainstream television. *Derry Girls* was filmed and produced in Northern Ireland, and the first series had the highest share of Northern Irish viewers since audience ratings records began in 2002.⁴⁵ A third series has been commissioned.

'4 All the UK' should see a step-change in C4C's investment in the nations and regions

In 2017, C4C's impact in the nations and regions came under greater scrutiny when the Department for Digital, Culture, Media & Sport published a consultation on the subject.

Following this consultation, In March 2018, C4C launched its '4 All the UK' strategy. This is an ambitious strategy to move to a multi-site operating model. New bases in Leeds, Bristol and Glasgow opened in autumn 2019. When these sites are fully operational, C4C expects to have some 300 jobs based in the nations and regions. Under the plans, C4C also voluntarily committed to increasing Channel 4's nations' and regions' content spend from its current 35% quota to 50% by 2023. C4C

⁴⁴ Channel 4 Television Corporation report, 2018, p. 114.

⁴⁵ Channel 4 Television Corporation report, 2018, p. 11.

estimates that this will equate to an incremental investment in the nations and regions of some £250m in total.⁴⁶

The implementation of the 4 All UK plans falls outside this review period. However, it is clear that there are both significant opportunities and challenges associated with such a transformational change. Strengthening partnerships with the production sector in the nations and regions, both with indigenous producers and with London-based companies wanting to extend their footprint, will be vital. So too will greater collaboration with other key stakeholders including the BBC and ITV and their production bases in the nations and regions. We would expect that successful implementation of the 4 All UK plans would also help tackle the long-standing audience perceptions, discussed earlier, of how C4C represents and portrays the nations and regions.

In terms of challenges, the transition to multi-site working is clearly a considerable change management project for C4C and involves significant financial outlay. C4C has estimated that, overall, the move will cost up to £50m. Key appointments have been made in the regional offices, but a high proportion of existing staff have chosen to take redundancy rather than relocate. We will continue to monitor the impacts of 4 All the UK through the SMCP process, and through ongoing engagement with stakeholders including the independent production sector, the trade association PACT, and others.

News and current affairs

C4C's news and current affairs output performs an increasingly important role in today's changing news landscape

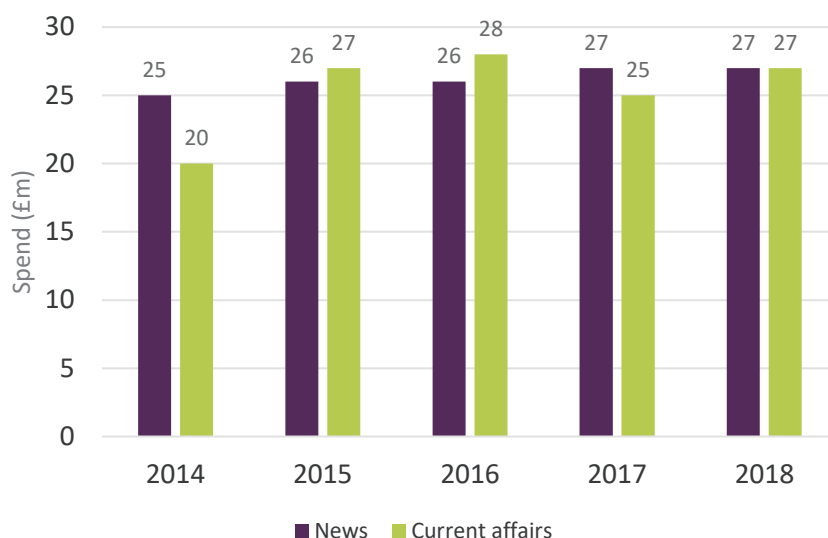
While not delivering audiences as large as some other mainstream news providers such as the BBC or ITV, C4C's news and current affairs output has an increasingly important role to play in the UK's changing news ecology. Channel 4 News' hour-long television bulletin each weekday, and the long running times of some of its current affairs programmes, enable stories to be covered in greater depth and give greater coverage of issues that appeal to minority interests as well as international stories. Such coverage can in part explain why the audience profile of C4C's news skews significantly younger and more diverse than the news viewing to other public service channels.

While audiences are increasingly going online for news, TV is still the main way in which most people in the UK learn about the day's events.⁴⁷ C4C's investment in its TV news coverage has remained stable over the review period, while its investment in current affairs has fluctuated, for various reasons. For example, in 2016, this spend increased on account of C4C's extensive coverage of the Brexit referendum and the US election. Current affairs spend is primarily used to deliver C4C's two current affairs strands: *Dispatches* and *Unreported World*.

⁴⁶ Channel 4 Television Corporation report, 2018, p. 47.

⁴⁷ *Ofcom Review of BBC news and current affairs*, 24 October 2019, p. 8.

Figure 9: C4C news and current affairs spend (£m): 2014-2018.



Source: Channel 4.

C4C has a strong reputation for its investigative journalism and as an independent source of news

Over the review period, audiences have told us that they value the distinctiveness of C4C's news and current affairs output. They consider that C4C tends to cover news stories from different angles than do the other PSB services, has a strong investigative edge, and does not shy away from investigating controversial topics.⁴⁸ C4C's own data shows that regular viewers of Channel 4 News feel strongly that it is a trusted and independent source of news. An example of the strength of its journalism can be seen in the investigation by Channel 4 News in 2018 into Cambridge Analytica, which received industry acclaim and made headlines around the world.⁴⁹

In separate Ofcom research, people commented that they liked current affairs programmes that contained "gritty exposés" and personal perspectives. C4C was seen by younger audiences in particular to do this type of programming well and to tackle topics, including international topics, which felt more relevant to them.⁵⁰

Fewer people watched Channel 4 News on TV in 2018

After four years of relative stability, the audience for Channel 4's evening news on the main channel experienced some decline in 2018. It was watched by an average of 566,000 viewers per programme, down 11% since 2017. In line with its remit, Channel 4's evening news continued to profile far higher for younger audiences and audiences from minority ethnic backgrounds than the national news programmes on the other PSBs, but viewing among these audience groups also

⁴⁸ Ofcom Channel 4 remit research report, 12 July 2017.

⁴⁹ [British Academy Television Awards news](#), 12 May 2019.

⁵⁰ [Ofcom Review of BBC news and current affairs](#), 24 October 2019, p. 23.

declined in 2018. For 16-34 year-olds, it averaged 68,000 viewers per programme, down 19% year on year.⁵¹

Several factors help explain this decline in linear performance, including the migration of news consumption online. However, given the importance that Channel 4's flagship evening news bulletin plays in serving a young and diverse audience with in-depth news and analysis, it will be important that C4C takes steps to safeguard its TV provision. While outside the review period, we note that the performance of Channel 4 News has improved in 2019.

The viewing share of *Dispatches* has declined from 5.2% in 2014 to 4.3% in 2018, although viewing to *Unreported World* has remained resilient, growing slightly from 3.1% in 2014 to 3.4% in 2018. Over the review period, the proportion of 16-34s viewing *Dispatches* declined slightly (from 19% in 2014 to 16% in 2018), but the proportion of BAME audiences increased (from 11% in 2014 to 14% in 2018). *Unreported World* showed a similar trend, with 16-34 audiences declining (17% in 2014 to 10% in 2018) while BAME audiences increased (16% in 2014 to 19% in 2018).⁵² During the review period, C4C has sought to find new ways of engaging younger audiences with its current affairs content, beyond these two strands. It has had some notable success with this including through the popular talk show *The Last Leg*.

C4C's news and current affairs output has increased its presence online and on social media

Around half of all adults in the UK now use social media for news, and this rises to more than three-quarters of 16-24s.⁵³ C4C has responded well to this shift by taking its news and current affairs output online and to social media platforms. This content has proved very popular. For example, in 2018, Channel 4 News video clips were viewed by 2 million 16-34s per month through YouTube⁵⁴ and generated 113 million views on Twitter, up 29% year on year⁵⁵. Some of the content on Channel 4's *Unreported World* YouTube channel, which launched in 2017, has had several million views.⁵⁶

C4C's news and current affairs output has increased its presence online and on social media. However, this brings with it reputational risks, given the fast-paced nature of online reporting. We note that following incidents during the 2019 election campaign, Channel 4 News has taken steps to safeguard its reputation as a trusted source of news by implementing new social media guidelines. These guidelines, which apply to all staff including commissioned production companies, contain information on maintaining impartiality in social media posts.

We will continue to monitor C4C's online news strategy, in particular to consider how well it improves levels of audience engagement. We note that Channel 4 News launched several online ventures during 2018, including a partnership with Facebook to produce *Uncovered*, a weekly news show for Facebook Watch, and a podcast *Ways to Change the World*, with Channel 4 News

⁵¹ Source: BARB. News programmes include those with 'news' in the title and are in the BARB national/international news genre in the evening. Figures include +1 channels where appropriate.

⁵² Source: BARB

⁵³ *Ofcom News Consumption in the UK: 2019*, 24 July 2019, p. 2.

https://www.ofcom.org.uk/data/assets/pdf_file/0027/157914/uk-news-consumption-2019-report.pdf

⁵⁴ Channel 4 Television Corporation report, 2018, p. 96.

⁵⁵ Channel 4 Television Corporation report, 2018, p. 137.

⁵⁶ *Unreported World Youtube channel*, figures from January 2020.

presenter Krishnan Guru-Murthy. *Unreported World* also partnered with online media publisher LADbible with the aim of reaching a bigger youth audience with its foreign affairs journalism.

Content for older children and young adults

C4C has acted in response to our concerns about its provision of content for older children

C4C has a duty to provide content that appeals to older children and younger adults. C4C defines these two audiences as 10-14 year-olds and 14-19 year-olds respectively.

For older children, C4C's strategy over the review period has been to cater for this audience through programming in peak-time, pre-watershed slots on the main channel. As broadcasters can face commercial challenges when making bespoke children's programming, C4C has looked to commission programmes which cover themes that resonate with 10-14 year-olds, but which also appeal to a broader audience.

In our 2015 and 2016 responses to Channel 4's Statement of Media Content Policy, Ofcom raised concerns about the impact of this strategy and asked C4C to consider whether it could do more.⁵⁷ The following year, C4C made a commitment to spend £5m annually on such programming from 2018. As figure 10 shows, it has spent more than this commitment every year since 2016. Out of this budget, C4C commissioned 24 hours of first-run programmes in 2018, compared with 4 hours in 2014.⁵⁸

⁵⁷ Ofcom's responses to Channel 4 Corporation's Statements of Media Content Policy, 2014/15 and 2015/16

⁵⁸ Channel 4 Television Corporation report, 2018, p. 111 and Channel 4 Television Corporation report, 2014, p. 16.

Figure 10: C4C investment in originated and acquired programming that appeals to older children (£m): 2014-2018



Source: Channel 4.

C4C also responded to the concerns that we raised in 2015 by featuring more 10-14 year-olds in the programmes it commissions for this audience, to make them relevant and relatable to this age group. Examples of these programmes include *Child Genius*, *Gogglesprogs*, *Lego Master* and *Class of Mum and Dad*. Many of these have become returning series, having performed well including, importantly, among 10-14 year-olds. In-depth research commissioned in 2016 among older children who watched C4C content found that they liked this type of content, and they enjoyed watching it with their families.

Separate to our annual review of C4C's Statement, in summer 2018 Ofcom published the findings of our wider review of children's content provided by the commercial PSB services, including C4C.⁵⁹ The areas of concern identified included the lack of children's programmes specifically made for older children across all genres, and provision of age-appropriate news and programmes that reflect diverse, younger audiences' lives. We asked C4C as well as ITV and Channel 5 to develop plans to address our concerns.

In April 2019, C4C responded by committing to developing a digital-first service for 13-16s; this will focus on a new YouTube channel and will include new commissions made specially for teenagers as well as existing programmes. While there has been some delay in the development of this YouTube channel, as of February 2020 commissions are now open and the channel is expected to launch in the first half of 2020. C4C says it has focused on 13-16s because 13 is the minimum age to register on social media platforms, there is a gap in the market for young teen content provision, and this is a natural extension of its target audience of older children.

C4C's plans are a positive response to some of the concerns we highlighted in the review. YouTube is a key platform for this age group. We would encourage C4C to continue to think about how they can

⁵⁹ [Ofcom Children's content review](#), 3rd July 2019.

engage older children and teenagers with innovative online content, while ensuring they also provide programmes that this important audience can relate to on the main channel.

C4C has also acted to spend more on educational programmes for young people, although much of this has been on one title

For 14-19 year-olds, C4C's strategy over the review period has been to commission educational programmes that tackle life skills outside the core school curriculum, focusing on subjects such as relationships, sex, and the digital landscape. This strategy has played an important role in delivering Channel 4's wider educational remit.

In our 2016 response to C4C's SMCP, we expressed concern that C4C's investment in this type of content for 14-19 year-olds was declining and encouraged C4C to reverse this trend in the light of its remit. In subsequent years C4C increased its spending significantly in this area. In 2017, it spent £10m on programming to deliver its educational strategy compared to £2m the previous year. In 2018, this spending increased again to £17m.⁶⁰

While welcoming the increased investment, our reviews in 2017 and 2018 noted that most of the money has gone on one commission: the school drama series *Ackley Bridge*.⁶¹ This returning series has proved popular, including with 14-19 year-olds, and C4C reported research that it has had a wider positive impact on young audiences through addressing issues such as diversity and bullying. As we highlighted above, there are risks to C4C's remit delivery on being too reliant on a small number of programmes.

Our recommendation in these reviews, that C4C should consider how it can build on the success of *Ackley Bridge* and provide a greater range of educational content for this audience, continues to hold. While we acknowledge that this is a difficult audience to attract, we note that some of its factual titles commissioned under this education budget – such as *Kiss Me First* and *Trans Kids: It's Time To Talk* - have performed relatively poorly among 14-19 year-olds.

Talent development and working with the creative partners

C4C has shown a strong commitment to supporting people new to the industry

C4C has a duty to support the development of people with creative talent, in particular those at the beginning of their careers in the media or film industry, and those involved in the making of innovative content and films. C4C also supports nations' and regions' production and talent development under the auspices of this duty (see above). Supporting new talent is particularly important to a broadcaster like C4C as it can help strengthen its appeal to younger audiences, promote diversity, and is in line with its wider duties.

⁶⁰ Channel 4 Television Corporation report, 2018, p. 108.

⁶¹ C4C had previously stated, in its SMCP 2016/17, that *Ackley Bridge* would be part of its commissioning spend in respect to content that appeals to older children rather than 14-19 year-olds. It subsequently considered that the storylines of this programme are targeted more at teenagers and young adults.

Over the review period, C4C expanded its range of activities in fulfilment of this duty. It has long recognised that there are groups of people who are under-represented in the business, as is the case across the wider industry, and implemented various initiatives to support a more diverse pipeline of talent.

At a grassroots level, C4C organised several community outreach 'pop-ups' around the UK each year and has successfully targeted these at young people from diverse backgrounds. It also offered zero-cost work experience placements each year, for which there has been high demand, and has run apprenticeship programmes since 2011 as an alternative route into work for people without degrees. To help support talent development in the wider industry, C4C funded a small number of young trainees each year on a year's placement with independent production companies, largely based in the nations and regions. Most trainees benefiting from this scheme have gone on to work full-time in the industry.⁶²

C4C also continued to support writers, producers and directors at different stages of their careers. This support included established schemes that provide a platform for emerging talent such as Comedy Blaps (Comedy), First Cuts (Documentaries), and 4Screenwriting (Drama) as well as a newer initiative 'Spotlight' that has provided help to directors from diverse backgrounds. C4C has enjoyed successful partnerships with word-renowned talent that it supported in their early careers including Michaela Coel, Sacha Baron Cohen, Danny Boyle, Peter Kosminsky and Steve McQueen.

There is still a lot to do at senior C4C levels to fully reflect the UK's diversity

These positive initiatives to support creative talent, particularly people who might face greater challenges breaking into the industry, make a strong contribution to C4C's delivery of its duties. Ofcom's 2019 *Diversity in Broadcasting Report* showed that, among the PSBs, Channel 4 is leading on the proportion of women and disabled people in its staff and is second only to Viacom (owner of Channel 5) in representing minority ethnic groups.⁶³

Despite these achievements, C4C recognises that there is much more to do to before it and its suppliers have a workforce that is truly representative of the UK's diversity. It has been transparent about these challenges. For example, in 2018 it commissioned research that showed the limited social and economic diversity of people working for C4C and for its suppliers.⁶⁴ In the same year, C4C published its pay report, highlighting significant gender and BAME pay gaps. C4C has set out the action it is taking to reduce these gaps, which includes setting new diversity targets in regard to the most highly paid people in the company.⁶⁵

The partnerships C4C has developed with others have helped the wider industry

In fulfilling its duties in this area, C4C should look to work with cultural organisations. Over the review period, C4C continued to develop and strengthen partnerships with a range of educational and cultural bodies, and these collaborations are having an impact. In 2017, C4C partnered with

⁶² Channel 4 Television Corporation report, 2018, p. 90.

⁶³ [Ofcom Diversity and equal opportunities in television](#), 18 September 2019.

⁶⁴ [Channel 4, 360 Diversity Charter: 3 years on](#), 2017.

⁶⁵ Channel 4 Television Corporation report, 2018, p. 162.

Leicester De Montfort University to run an MA Degree in Investigative Journalism, which has now produced two cohorts of graduates.

C4C also works with the production community to develop off-screen talent, and through its Alpha Fund supports a range of start-up production companies across the UK, as well as projects featuring diverse content or talent.⁶⁶ C4C's Indie Growth Fund has also helped improve diversity within the production community by supporting, and commissioning from, small and medium-sized independent TV and digital production companies.⁶⁷

Over the review period, we have seen many examples of how the support C4C provides pays long-term dividends for both C4C and the wider creative economy.

Film

Film4's revised approach to investment has helped C4C both commercially and in delivering its remit to support UK film-making

C4C is required to participate in the making, broadcasting and distribution of high-quality films intended to be shown to UK audiences. It should bring films that reflect cultural activity in the UK to audiences and support the development of people with creative talent in the film industry. C4C fulfils these requirements largely through its film production company, Film4 Productions, which helps develop and finance films.

In 2015, Film4 Productions changed its investment strategy. Previously, its mandate had been to support film talent, rather than to be commercially sustainable; as a result, the business was loss-making. Under its new strategy, Film4 has invested some £25m each year in a portfolio of around 12 films that are in keeping with Film4's brand. Supported films are broadly split into those that are more remit-focused (such as those from new filmmakers) and those which may have more commercial potential. Film4 has said the overall aim is to achieve long-term break-even across its investment portfolio, and that it aims to do this by 2020⁶⁸.

Since implementing this approach, Film4 has successfully expanded its investment strategy; 2018 was a particularly strong year. *Three Billboards in Ebbing, Missouri* was the first film greenlit under the new strategy and meant Film4 took a 50-50 stake in the film alongside Fox Searchlight. The international critical and commercial success of the film has generated significant revenues to help subsidise Film4's investment in UK film-making as well as to support C4C's activities more generally.⁶⁹ Film4 built on the success of *Three Billboards* in 2019 with *The Favourite* and *Cold War*, which between them earned 13 nominations for the Academy Awards, and 13 for the Baftas.⁷⁰

⁶⁶ The Alpha Fund is administered by Channel 4's Creative Diversity team, and assists start-ups, BAME-led and regionally based companies, as well as projects with diverse content or talent attached. In 2018, over £385,000 was spent by this fund.

⁶⁷ The Indie Growth fund provides access to funding for a broad portfolio of small and medium-sized independent production companies based in the UK to help them grow and develop their business, and to contribute to the wider creative economy. In 2018, Channel 4 invested £1m in the Indie Growth Fund.

⁶⁸ Royal Television Society Magazine, '[Three Billboards and Beyond: Film4 adapts for the age of streaming](#)', April 2018.

⁶⁹ Ofcom response to Channel 4 Corporation's 2017/18 Statement of Media Content Policy, 11 June 2019, p. 12-13.

⁷⁰ The Guardian, '[How Film4 became a pint-sized Oscar powerhouse](#)', February 2019.

Over the review period, Film4 has also continued to champion diverse voices and showcase alternative points of view. It has provided financing, as well as production and development support, to allow films such as *You Were Never Really Here* and *Peterloo* to be made, that otherwise might not have been viable.

While the impact of the strategy can be seen through the 'Three Billboards' effect, continuing to generate such creative and commercial success is far from easy. Like C4C's television provision, Film 4 is competing for attention and material with the likes of Netflix and Amazon and should continue to find ways to maximise its distinctive brand and place in the market.

We also note the importance of the Film4 channel for ensuring the distribution of a diverse and alternative range of films from around the world, over and above those co-funded by Film4 Productions. Film4's viewing share has held steady over the review period, with the channel's viewing share expressed as a percentage of total TV viewing falling from 1.5% (2014) to 1.4% (2018).⁷¹

International programming

C4C has reflected information about the world in its programming in a range of ways

C4C plays an important role in contributing to UK audiences' understanding of international issues. It has a duty to support and stimulate well-informed debate on a wide range of issues, including by providing information and views from around the world. It reports its performance on this area primarily by monitoring the number of first-run hours on Channel 4 covering international matters (excluding news).⁷² In 2015, C4C introduced a new metric in its annual reporting, measuring the hours of first-run foreign language content across its family of channels.

In our last five-year review, we expressed concern about the declining volume and narrowing range of C4C's programming covering international matters. Over this review period, the overall number of hours of this type of programming increased to 60 hours in 2018 from 54 hours in 2014⁷³. The 2018 figure represented a significant drop from the previous two years. In 2016, C4C devoted extensive international coverage to the US presidential election and in 2018 it decided to discontinue its long-running documentary strand *True Stories*, which had contributed a large number of hours towards this metric. We consider the provision of international programming as core to C4C's remit and note the significant variation in the volume of this output year on year. We will continue to monitor closely C4C's levels of international programming through our annual reviews.

In terms of the range of programming covering international matters, over the review period current affairs was the single biggest genre, with *Dispatches* and *Unreported World* regularly tackling pressing international issues, followed by documentaries. According to C4C's own survey data, audiences value highly the distinctive coverage provided by its current affairs strands in this area. For example, over the review period, *Unreported World* consistently achieved the highest score

⁷¹ Channel 4 Television Corporation report, 2018, p. 134.

⁷² Up to 2017, this figure also included hours of the *True Stories* strand broadcast across the C4C family of channels.

⁷³ Channel 4 Television Corporation report, 2018, p. 117 and Channel 4 Television Corporation report, 2014, p. 19.

among all PSB current affairs programmes for 'showing stories about parts of the world you would rarely see on British TV'.⁷⁴ C4C's international current affairs coverage has also received industry acclaim. A recent notable example was the 2018 *Dispatches* programme *Myanmar's Killing Fields*, which won several awards including a Bafta for best current affairs programme. In 2019, *For Sama* – which documents five years of director Waad al-Kateab's life in the Syrian city of Aleppo - won a Bafta for Best Documentary and was nominated for an Academy Award. While its release falls outside our review period, *For Sama's* success has further bolstered Channel 4's reputation in this area.

Programmes in other genres, such as the documentary *Meet the Drug Lords: Inside the Real Narcos* and the factual entertainment title *Travel Man*, have demonstrated C4C's commitment to reflecting the world in its peak-time schedule in a range of different ways.

Over the review period, C4C has successfully demonstrated innovation in delivering a range of content from around the world. In 2016, C4C launched its dedicated service of foreign language programming, *Walter Presents*, which hosts around 900 hours of content on All 4. Some of this content was broadcast at peak time on Channel 4 and More 4, a risk another commercial broadcaster might not have been willing to take. C4C reported that, altogether, *Walter Presents* programmes reached 10.4 million people in 2018.⁷⁵ Over the review period, Film 4 also continued to offer a diverse and international slate: nearly a third of this output came from outside the UK or US each year.⁷⁶

⁷⁴ Channel 4 Television Corporation report, 2018, p. 117.

⁷⁵ Channel 4 Television Corporation report, 2018, p. 118.

⁷⁶ Channel 4 Television Corporation report, 2018, p. 118.

5. Summary

Overall, C4C has largely met its media content duties for the review period

We find that C4C largely met its media content duties between 2014 and 2018, performing strongly in a number of key areas. During the review period C4C's investment in UK-originated content reached record levels. Each year it continued to show a broad range of high-quality programmes, with audiences consistently rating the main channel, Channel 4, more highly than other PSB services in taking creative risks, as well as in tackling issues others wouldn't, and being the home for alternative voices. Over the review period, C4C sought ways to maximise the reach and impact of its content by successfully innovating online. The coverage C4C gave to the UK's diversity also continued to be a strength, and audiences placed significant value on its news and current affairs output as a trusted and independent take on national and international events. In relation to film-making, Film4's approach to investment resulted in creative and commercial successes over the review period, and generated revenues to support UK talent.

We do note, however, that given the pace of change in the media landscape, the challenges to C4C's delivery of its media content duties are growing. A prolonged downturn in the advertising market remains a key threat and could force C4C to make cuts that would be likely to reduce the range and quality of the content on offer across its services. C4C has responded quickly to changing audience behaviours by significantly improving its online offering, but attracting and retaining audiences in an increasingly crowded and competitive video-on-demand market remains a major challenge.

Although falling outside this review period, C4C's '4 All the UK' plans involve considerable change to its operations and will bring both opportunities and risks, including financial risks.

Ofcom will return to many of the themes raised in this review as part of its *Small Screen: Big Debate* programme of work around public service broadcasting. We will also continue to monitor Channel 4's performance through the yearly SMCP process, and through ongoing engagement.

A1. Annex: Statutory framework for the review of C4C's media content duties

198A of the Communications Act 2003: C4C's functions in relation to media content

- A1.1 C4C must participate in—
- a) the making of a broad range of relevant media content of high quality that, taken as a whole, appeals to the tastes and interests of a culturally diverse society,
 - b) the making of high-quality films intended to be shown to the general public at the cinema in the United Kingdom, and
 - c) the broadcasting and distribution of such content and films.
- A1.2 C4C must, in particular, participate in—
- a) the making of relevant media content that consists of news and current affairs,
 - b) the making of relevant media content that appeals to the tastes and interests of older children and young adults,
 - c) the broadcasting or distribution by means of electronic communications networks of feature films that reflect cultural activity in the United Kingdom (including third party films), and
 - d) the broadcasting or distribution of relevant media content by means of a range of different types of electronic communications networks.
- A1.3 In performing their duties under subsections (1) and (2) C4C must—
- a) promote measures intended to secure that people are well-informed and motivated to participate in society in a variety of ways, and
 - b) contribute towards the fulfilment of the public service objectives (as defined in section 264A).
- A1.4 In performing their duties under subsections (1) to (3) C4C must—
- a) support the development of people with creative talent, in particular—
 - i) people at the beginning of their careers in relevant media content or films, and
 - ii) people involved in the making of innovative content and films,
 - b) support and stimulate well-informed debate on a wide range of issues, including by providing access to information and views from around the world and by challenging established views,
 - c) promote alternative views and new perspectives, and

- d) provide access to material that is intended to inspire people to make changes in their lives.

A1.5 In performing those duties C4C must have regard to the desirability of—

- a) working with cultural organisations,
- b) encouraging innovation in the means by which relevant media content is broadcast or distributed, and
- c) promoting access to and awareness of services provided in digital form.

A1.6 In this section—

“participate in” includes invest in or otherwise procure;

“relevant media content” means material, other than advertisements, which is included in any of the following services that are available to members of the public in all or part of the United Kingdom—

- a) television programme services, additional television services or digital additional television services,
- b) on-demand programme services, or
- c) other services provided by means of the internet where there is a person who exercises editorial control over the material included in the service;
- d) and a film is a “third party film” if C4C did not participate in making it.

A1.7 The services that are to be taken for the purposes of this section to be available to members of the public include any service which—

- a) is available for reception by members of the public (within the meaning of section 361);
or
- b) is available for use by members of the public (within the meaning of section 368R(4)).

198C of the Communications Act 2003: Ofcom reports on C4C's media content duties

A1.8 For each relevant period, Ofcom must—

- a) carry out a review of the extent to which C4C have discharged their duties under section 198A, and
- b) prepare a report on the matters found on the review.

A1.9 Ofcom must publish each report under this section—

- a) as soon as practicable after its preparation is complete, and
- b) in such manner as they consider appropriate.

A1.10 “Relevant period” means each period selected by Ofcom for the purposes of section 264(1)(b) that ends after this section comes into force.