

## Next on 4

### What we do

Channel 4 is different. It takes creative risks that others avoid. It offers fresh perspectives for a diverse society. And it does it on a big enough scale to make a difference, not just to British media, but to Britain itself

### What we are for

- To nurture new talent and original ideas
- To champion alternative voices and fresh perspectives
- To challenge people to see the world differently
- To inspire change in people's lives

### How we intend to achieve our ambitions

- Channel 4 will continue to offer something for everyone some of the time, just as it does today, but will further enhance its strong connection with young and diverse audiences
- Channel 4 will fulfil its public role on the core channel, across its portfolio of digital TV channels and across digital media – becoming a “public service network”

### Our future priorities

- We will make more room for new programmes, new talent and new voices
- We will seek out, train and develop the widest and most diverse range of talent
- We will continue to work in partnership with the independent production sector, providing additional support for smaller, start-up and regional producers
- We will pioneer a new cross-platform approach to deliver educational and schools content, along with a new pilot fund for creative output aimed at older children
- We will create a major new pilot fund, 4IP, to support public service content in digital media. This bold and exciting partnership will invest up to £50 million in content and services over the next two years, with project leaders based around the UK

### A public service organisation fit for the future

- Remaining an independent not-for-profit organisation, funded primarily in the marketplace, with public support that does not exceed the historic value of gifted analogue spectrum
- Maintaining the scale and ambition to deliver impact by reaching large audiences, drawing them to content and services through our strong brand and marketing expertise
- Protecting our publisher-broadcaster status through a rights model with the independent production sector that reflects Channel 4's unique position
- Playing a leading role in celebrating and promoting diversity, both on and off-screen
- Marking a new era in our relationship with audiences by enhancing public accountability and encouraging viewer participation across all our output

# Executive Summary

## What next for Channel 4?

- The creation of Channel 4 was one of the most imaginative public interventions ever in UK media. It established a publicly-owned commercially-driven operating model that was entirely unique and highly effective. It directly led to the creation of a dynamic independent production sector. It gave audiences something they had never had before – television with an entirely fresh perspective, distinctive, risk-taking and irreverent. It may have made mistakes and trod on toes, but nobody could deny that Channel 4 moved British television on.
- Twenty-five years later it is not just television that has moved on. The whole media landscape has changed utterly. Where commercial television once enjoyed “a licence to print money”, there is now a fierce fight for survival in a market in which television is only one of many contenders. Once-passive viewers have become active players in a media environment in which user-generated content and social networking command the attention of a new generation. In a crowded globalised market with an inexhaustible supply of content and services, what is the future role of Channel 4?

## What our audiences and stakeholders have told us

- Last year we embarked on a major programme of research amongst our audiences and stakeholders – programme-makers, advertisers, politicians, opinion formers and, of course, our own colleagues – asking what they thought of Channel 4 and what they thought we should be doing. This review – by far the most thorough in Channel 4’s history – has proved invaluable as we have considered Channel 4’s future role.
- Viewers are very clear what Channel 4 stands for. They describe it as being “different”, “modern”, “innovative” and “alternative”. They turn to Channel 4 both to be entertained and to learn something, and they appreciate programmes that do both at the same time. They see Channel 4, more than any other broadcaster, as always trying something new, taking different approaches to subjects, covering ground other channels wouldn’t, and catering for audiences other channels don’t cater for. While most viewers neither know nor care about Channel 4’s corporate structure and public ownership, they recognise and value its independence and anti-establishment feel.
- We found equally forthright views amongst stakeholders. Channel 4 emerges clearly as a creative risk-taker – questioning, provoking and challenging the consensus view. There is strong support for a dynamic public service broadcasting system, with a plurality of providers to ensure competition for quality. In this context, Channel 4 is seen as keeping the BBC on its toes. Channel 4’s contribution to developing and nurturing talent, and helping new production businesses find their feet, is also considered to be very important – the hidden part of Channel 4’s public service contribution. One politician told us: *“The beauty of Channel 4 is that it is in a unique position to do things and try out things other people won’t. The BBC won’t because they are too conservative and the commercial sector won’t because it might not be financially viable.”*

## The enduring value of Channel 4’s remit

- Channel 4’s public remit has hardly changed over the last 25 years. The most recent articulation in legislation, in the 2003 Communications Act, requires Channel 4’s programmes to be innovative, diverse, educational and distinctive. Our dialogue with audiences and stakeholders revealed unequivocal support for each component of the remit. When people criticised Channel 4, it was for not striking the right balance between its public service ambitions and commercial imperatives. There was no suggestion that the nature of its ambitions should be any different from what they are now.
- But it has become clear to us that we need to develop the articulation of Channel 4’s role, along with the framework for PSB within which it sits, in several ways. First,

legislation defines Channel 4's role purely in terms of the core channel. This has already become anachronistic in a multichannel digital world, and will become ever more so as new digital media become more pervasive.

- Second, the remit does not capture Channel 4's public service contribution to the creative economy – in television and adjacent sectors such as film – through its off-screen activities. Channel 4 works with more independent television companies and invests more in independent production in the nations and regions than any other broadcaster. Its training and development schemes provide creative and business support, giving new talent their first break and helping them set up sustainable enterprises. PricewaterhouseCoopers estimated the impact of Channel 4's activities on the UK creative economy to be worth up to £2 billion annually, supporting 22,000 jobs. The Government has also confirmed the growing importance of the creative economy to the UK in its recent paper, *Creative Britain: New Talents for the New Economy*.
- Third, as public institutions face higher expectations regarding transparency and accountability, we wish to provide greater clarity as to what Channel 4 ultimately exists to do. Being innovative or distinctive is a means to an end, but what exactly are those ends?
- We have developed four core public purposes which give practical expression to the end benefits that result from Channel 4 delivering its remit. They are:
  - ⇒ To nurture new talent and original ideas
  - ⇒ To champion alternative voices and fresh perspectives
  - ⇒ To challenge people to see the world differently
  - ⇒ To inspire change in people's lives

### **Channel 4's audience**

- As television viewing fragments across niche channels, Channel 4 must continue to provide a common space open to all, drawing mass audiences to its most popular programmes, with a wide-ranging schedule that offers something to everyone at least some of the time.
- Channel 4 has always had a particular appeal to certain audiences, especially the young and people from minority backgrounds, and this is one of the channel's core strengths. We intend to strengthen our connection with these audiences in the future.
- As we move towards a society characterised by a rich variety of identities rather than a homogeneous mainstream, Channel 4 needs to appeal to an even wider range of minority groups, whether defined by ethnicity, nationality, sexuality, religion, regionality, class, gender or disability. With highly targeted services in digital media serving individual groups' particular interests, Channel 4 will do what it has always done best, bringing ideas and interests from the margins to the mainstream.
- Channel 4's reputation for originality and risk-taking has always connected particularly strongly with those younger audiences who tend to be the most difficult to reach – both for advertisers and for those who wish to offer them public service programming. Channel 4 is uniquely placed to build on its strengths in this area, engaging young people with public service content on television and in digital media.

### **Redefining Channel 4 as a public service network**

- Television remains hugely powerful and influential. Despite the growth of digital television over the last decade, Channel 4's peak-time audiences are still counted in the millions every single night. In most other forms of art or media, such figures are unthinkable.

- While television may still have huge influence, we must also recognise in our activities the exciting possibilities offered by digital media, which allow greater impact to be delivered in different ways. Channel 4 can no longer afford to think of itself simply as a traditional broadcaster. We have to continue the transformation into a truly integrated network of channels and services, delivering public value across all platforms including online, mobile and radio, allowing audiences to create, access and engage with content in imaginative and compelling ways.
- Channel 4's operating model has always required the core channel to strike a balance between public service and commercial content. This approach will need to extend across the entire network. All services will, to different degrees, aim to deliver against Channel 4's public purposes. At the same time, each commercial activity will have clear targets to deliver profits to support the core channel. And everything in Channel 4's portfolio of services will be consistent with the organisation's brand values.

### **How will we deliver our vision?**

- Ahead of any funding settlement, we face a number of difficult balancing acts. We need to build on Channel 4's historic strengths – derived from the values in its remit – while refocusing the organisation to exploit new opportunities to deliver public value across digital media. And we need to realise our ambitions within strict financial disciplines. We set out below our immediate plans, which represent the next steps on the journey to transforming Channel 4 into a public service network. For the time being, these are being funded within our existing operating model. But our public service delivery in these, and other areas, cannot be sustained in the medium-term without some replacement form of public support.

### ***We will create more room for new ideas and programmes across the entire 4-network***

- We will provide viewers with more new programmes on the core channel in peak-time than any other public service broadcaster, and will provide space for new ideas and formats across the entire 4-network.
- We will continue to offer the best programming and films from America and around the world. But as demand from other channels intensifies, acquisitions have become less defining than they once were, and competition has increased the cost of acquired content. Channel 4 will reduce its expenditure on acquisitions by 20% over the next five years, allowing it to focus more money on, and strengthen its commitment to, originated British programmes.

### ***We will be the leading supporter of new creative talent in the sector***

- Channel 4 will maintain its long-standing commitment to giving talented newcomers their first break – comedians, entertainers, presenters, writers, directors, producers and other on- and off-screen talent. Through 4Talent, we will invest at least £10 million a year across a range of on-air, online and "real world" development initiatives. We will encourage, grow and showcase the young creative talent of the future, creating spaces where young people can talk about, broadcast and network their creative ideas and improve their knowledge, skills and experiences of the media industries
- We plan to grow the number of slots for new talent across all platforms, particularly on the core channel, through strands that exclusively showcase talent new to television, such as *First Cuts*, *3 Minute Wonders*, *Comedy Lab* and *Coming Up*.
- As part of our wide-ranging commitment to supporting new talent in programmes across our entire schedule, from *Hollyoaks* to *Channel 4 News*, Channel 4 will hold a "New Talent Month" in August, with at least one programme a day featuring new talent in a key role.

***We will support the widest range of voices of any broadcaster***

- Across all our output, we will provide space for a wide range of voices, embracing a diversity of approaches, perspectives and attitudes. Our news will continue to offer informed, in-depth and opinionated journalism with a strong international flavour. And there will be more of it than ever before across the network: on the core channel and More4, and with enhanced services in digital media. Between them, Channel 4 and More4 will show 260 documentaries a year, one every weekday on average. We will extend our support for the Channel 4 British Documentary Film Foundation until 2010, which pioneers new forms of documentary-making. Our ambition is to be recognised as the home of British documentaries.
- Building on Film4's successes in recent years – winning five Oscars in the last four years – we will continue to ring fence £10 million a year for investment in British film development, commissioning and production, whilst also investing heavily in other initiatives to support film, including the Film4 channel, which offers a diverse range of British and international films.

***We will play a leading role in connecting younger audiences with public service values***

- Channel 4 spends around £70 million on educational programming each year, much of which is enjoyed by younger audiences. But we believe there is a greater role for Channel 4 to play in reaching older children, identified by Ofcom as being underserved by original British content commissioned specifically for them.
- We have adopted a pioneering approach to our schools output, focusing resources on digital content for 14-19 year olds in ways that embrace all forms of digital media.
- We will establish a new pilot fund of £10 million over the next two years (with commissioning beginning in 2008) dedicated to programming and content for older children. We will not only seek projects intended primarily for the core channel (a new drama series, for example), but also those which make the most imaginative uses of interactive and social media.

***We will stimulate greater public engagement and debate around contemporary social and cultural issues***

- Channel 4 has always played an important role in broadcasting programmes that deal with issues affecting individuals and society in contemporary Britain, whether to do with health (such as the recent *The Big Food Fight*) or child literacy (*Lost for Words*). These programmes help to raise awareness, encourage people to engage in debate, and inspire changes in behaviour.
- We will strengthen the impact of these seasons, running them across our network of services, and using both broadcast and interactive media to bring them alive in engaging and relevant ways, with forthcoming seasons on gun and knife crime, and on Iraq. We will work with a range of partners to stimulate debate and provide information and tools that enable audiences to engage with the issues raised. In this way, we hope that our programmes can have an impact that endures far beyond the original transmission.

***We will bring our public service values into the digital world***

- Channel 4, like Ofcom, believes that public service purposes can in some instances be delivered with greater impact through interactive media. Debates about intervention in new media will continue over the months and years ahead. But given the pace of change in audience behaviour and technology, we feel it is imperative to act now. We have, therefore, established a pilot fund focused on public service content and services created for digital media, called 4IP, working in partnership with organisations based around the UK.

- The fund will invest up to £50 million (of which £40 million is already secured), with half the money coming from Channel 4 and the balance from a range of partners, which include Advantage West Midlands, Scottish Enterprise, Screen Northern Ireland, and Screen Yorkshire, along with NESTA as a strategic innovation partner. This investment will be topped up with commercial income, and the fund will, in part, be used to test new economic models in digital media.
- 4IP will have its own dedicated team, with project leaders based around the UK. We have already agreed that there will be hubs in Glasgow, Belfast, Leeds, Birmingham and London, and more will follow. It will benefit where appropriate from the creative, technical and marketing skills of Channel 4, using our infrastructure to achieve economies of scale.
- This is one of the biggest and most exciting calls-to-action for new and emergent digital media companies in the UK. We hope that it demonstrates Channel 4's commitment to finding new ways of fulfilling its purposes in a rapidly changing world, and demonstrates the public service contribution Channel 4 can make. This could have the same catalytic impact on public service content in digital media that Channel 4 provided to the independent television production sector in 1982.

### **An organisation that is fit for purpose**

#### ***An independent, market-based, not-for-profit company ...***

- Channel 4 should remain a statutory corporation, able to maintain editorial independence from Government or commercial shareholders. It should remain primarily funded through its own commercial activities, with public support equivalent to the value historically derived from gifted access to analogue spectrum.

#### ***...built on effective partnerships ...***

- Channel 4's ambition is to retain its current model as a publisher-broadcaster, in order to be able to support the widest range of new talent and creative ideas.
- As we make the transformation to a public service network, Channel 4 needs access to the rights required to deliver programmes flexibly across multiple digital platforms. If we are to retain our publisher-broadcaster status, we will need to achieve a sustainable, forward-looking rights settlement with the independent production sector, which recognises the needs of all parties.
- As the independent sector consolidates, we will put measures in place to help sustain plurality of supply, regional diversity, and to develop the next generation of creative talent. We will ensure that we continue to work with more independent production companies than any of our competitors. To support small and emerging suppliers, 20% of the production companies we work with will have with turnovers of less than £2 million.
- We will increase the proportion of our programme budget spent in the Nations by more than 50% by 2012, along with a Nations Pilot Fund of £1 million (starting in 2009). The 4IP's regional commissioning hubs will further support the creative industries around the UK.
- We will also develop new partnerships with organisations with shared public objectives. We have agreed alliances with NESTA, the Arts Council of England and the Royal Society of Arts, and hope to work with other strategic partners to help us deliver greater public value.
- We will work with the advertising community to ensure that Channel 4 continues to provide effective competition in delivering mass-market audiences, and bringing them

new opportunities to reach audiences in digital media. We will seek innovative new ways to maximise the commercial benefits of the young, diverse and upmarket audiences that Channel 4's services disproportionately attract.

***...reflecting the UK's diversity in everything that we do...***

- Channel 4's ambition is to be recognised as the broadcaster with the greatest commitment to diversity, through its on-screen output, its relationships with suppliers and its own staff. We recognise that Channel 4, along with the entire industry, faces significant challenges regarding the diversity of its workforce, especially at the most senior levels. We need to reinvigorate our ambitions, and have developed a strategy that will allow us to make tangible progress.
- On-screen, we will strengthen Channel 4's commitment to the portrayal of minority groups and the representation of different viewpoints, so that we reflect the full diversity of British society in our output. We will employ a dedicated multicultural commissioning editor with specific responsibilities for multicultural factual programmes in peak. We will also establish a ring-fenced fund to provide a further £2 million for multicultural programmes to play out at 9pm and 10pm.
- We will establish a series of targeted initiatives to improve employment levels from minority groups. We will extend our commitment to the Diversity Production Trainee Scheme through to 2012, double the number of diversity placements in the Commissioning Team (from 3 to 6) and roll out the diversity and disability placement schemes across Channel 4. And we will appoint a new Head of Diversity at senior executive level to lead our activities in this area across the entire organisation.

***...based on a relationship of trust with our audiences***

- Research shows that for many viewers, especially younger ones, Channel 4 is more in touch with their values and ways of life than other broadcasters. The rapid development of digital media allows us to strengthen further our connection to audiences, embracing the spirit of openness, interactivity and participation.
- We have responded to underlying issues relating to trust that emerged following the television controversies in 2007, which caused broadcasters to question the nature of their relationship with viewers. We have appointed a Viewers' Editor, launched *The TV Show* as a monthly forum to discuss Channel 4's output, and extended the range of online forums and blogs that we host to enable audiences to comment on our output.
- As audiences gravitate towards organisations that demonstrate integrity and which are most accountable and transparent, Channel 4 – as a public service broadcaster, whose remit means that at times it offers content that is controversial and challenging – has a particular responsibility to rise to these challenges and to meet growing public expectations. We plan to further extend opportunities for audiences to engage with Channel 4 and contribute to the development of its services in innovative new ways.

**Ensuring Channel 4's accountability**

- Channel 4 operates a robust and effective system of governance and accountability, comprising a unitary Board with a majority of Non-Executives appointed by Ofcom – the regulatory body, which is entirely independent of Channel 4 – along with all the corporate governance procedures that would exist in any FTSE company. We believe that this system serves us, and our audience, well and remains fit for purpose.
- Amendments to the governance structure may be required in the future as a consequence of any changes to the organisation's funding model. This should be addressed as part of the forthcoming debate about future funding.
- In the meantime, we recognise the need to constantly strengthen public accountability and have developed the following new initiatives. First, we have begun to implement a new public value framework, which will include a "basket of measures" that captures the

organisation's performance against its public purposes. This will be accompanied by the publication of an annual Public Value Report alongside our Financial Report and Accounts beginning in 2009 and covering the 2008 financial year.

- Second, we will establish a content sub-committee of the Board, to help the Board determine and review programming policy and standards for Channel Four, and in particular ensure effective delivery of the Corporation's public remit.

### **Funding implications**

- Channel 4 has always had some kind of public support to enable it to deliver its remit. In its early years, its advertising was sold by ITV, and it was handed a sum of money each year that represented its total budget. When Channel 4 began to sell its own airtime, a funding formula was put in place to protect the organisation. Throughout its existence, Channel 4 has benefited from an implicit subsidy in the form of gifted analogue spectrum which, at its height, is estimated to have been worth 15-20% of turnover.
- Channel 4 has been arguing for some time that as the analogue spectrum declines in value, a significant funding gap will emerge. The residual value of analogue spectrum will fall away completely once the digital switchover process is completed in 2012, by which time Channel 4 estimates the funding gap will have grown to around £100 million.
- A consensus has now emerged regarding the financial pressures facing Channel 4, following the Financial Review of Channel 4 conducted by Ofcom in 2006/7. Ofcom concluded that "it is reasonably likely that Channel 4 will face increased financial pressures in the medium-term", and that "these pressures are likely to result in renewed pressure on its remit delivery from around 2010". Based on analysis conducted by LEK, Ofcom have confirmed that, without a model of public support to replace its analogue spectrum, Channel 4 will face a choice between moving into loss or having to cut back on public delivery.
- Channel 4 is pursuing self-help strategies aggressively. With the majority of its funding coming from the marketplace, Channel 4 operates under strict financial disciplines, prioritising resources and seeking efficiencies across all activities. All commercial ventures have a clear path to profitability, and collectively they deliver positive returns to support investment on the core channel. Channel 4 will exit any commercially-focused activities that do not contribute returns within an appropriate time-frame. But LEK's analysis showed that such self-help measures will not alone be sufficient to address the funding gap.
- Channel 4 will therefore require a revised funding model to deliver its public role in the future. We remain open to the best model of support for the organisation – whether another form of indirect support, to replace the value of gifted analogue spectrum, or some kind of direct public subsidy. We are, however, clear on the criteria that should be used to assess the various options i.e. to ensure they are efficient and flexible, accountable and transparent, and protect Channel 4's editorial independence and ability to deliver its public purposes.
- We welcome a dialogue on future models of support as part of Ofcom's Review of Public Service Broadcasting and the Government's Convergence Think Tank. Channel 4 expects to set out its own views in the autumn.
- In the meantime, the plans presented in this paper represent a rebalancing of activities within Channel 4's base case model. As such, they do not worsen the estimated £100 million funding gap in 2012, with the exception of the pilot 4IP and children's programming funds, which would require incremental support beyond the period of the pilots.

## **Safeguarding Channel 4's distinctive public service role**

- Channel 4 remains a vital part of the overall public service ecology. We have made clear that our plans will require a new model of support to replace the loss of gifted analogue spectrum. Without this, much of the public value that Channel 4 delivers will diminish or disappear entirely. Channel 4 would have to reduce its overall level of originated programmes, and its commitments to loss-making genres such as arts, religion, comedy, drama and film. Even across its popular output, there would inevitably be less innovation, risk-taking and diversity. Off-screen, there would be a significant scaling-back of Channel 4's commitments to development and training, and to the range of independent companies that we work with. And the new (4IP and children's content) pilot schemes would be discontinued.
- Channel 4 has always received public support to allow it to deliver its unique public role. The level of support needed has been modest when compared to the public value that it delivers. We believe that continuing to support Channel 4 to provide content and services that deliver public value and protect plurality in this country continues to represent clear value for money.
- We are convinced there is a compelling case that Channel 4 should continue to provide its distinctive and valuable public service role in the years ahead, building on the values embedded in its remit to deliver more public value in more ways than before, across more platforms and services.

## ***Nurture new talent and original ideas***

Channel 4 encourages risk-taking, innovation and experiment in everything that it does – the form and content of programmes, their promotion and marketing, and new ways to make content and services easy to find and use.

It supports talent throughout their careers, from dedicated slots in the schedule that connect emerging talents with mainstream audiences, through to ambitious landmark commissions from veteran collaborators.

Channel 4 supports the creative economy, promoting plurality by commissioning from the greatest number and range of sources, and supporting activity across the nations and regions, and in creative sectors beyond television, in particular the film industry

## ***Champion alternative voices and fresh perspectives***

Channel 4 celebrates Britishness by exploring the rich diversity of cultures and lifestyles in Britain today. We encourage people to look at themselves and others in a fresh light, and we seek non-judgemental ways of illuminating parts of society that are rarely seen in mainstream media.

We aim to present unvarnished accounts of real lives and real concerns, of different ethnic or racial groups, or people with different cultures or lifestyles. We are not afraid to shine a light on uncomfortable areas, examining social tensions that arise from the diversity of different beliefs or value systems.

## ***Challenge people to see the world differently***

By questioning assumptions and interrogating orthodoxies, Channel 4 helps individuals make sense of the world and encourages them to see things in new and surprising ways. We are comfortable with new ideas and ideologies. We like to open up debate, not close it down. We relish moral ambiguity and willingly take on the most difficult – and sometimes uncomfortable – questions, without patronising viewers by pretending to know the answers.

Globalisation and other issues with an international dimension have profound implications for the health of democracies and the growth of multicultural communities. The mass migration of people around the globe, freedom of thought and expression and the power of

global business are emerging as the defining issues of the century, and Channel 4 has a vital role to play in providing a window on them and on the wider world.

***Inspire change in people's lives***

Channel 4 encourages personal development in ways that are both accessible and distinct from traditional public service approaches. We use popular lifestyle formats to open people's horizons. This can be as simple as giving people new ideas for parenting or healthy eating, or it could be sparking new interests, such as in architecture, opera or dance.

We encourage people to re-evaluate their lives – their homes, health and looks, or relationships with friends and family. And we illustrate personal or social dilemmas to help people to deal with new experiences and issues in their lives

We avoid telling viewers what to do or what not to do; rather, we show the effects of different courses of action and let people make up their own minds. By doing these things, we empower people to make choices, and inspire changes in their behaviour that impact directly on their quality of life.