CHAIR’S STATEMENT

CHARLES GURASSA
NON-EXECUTIVE CHAIR

Established by Parliament and regulated by Ofcom, Channel 4 has a unique public service remit that requires it to innovate, challenge and inspire, to stimulate debate and provide new opportunities for brilliant creative talent from all walks of life.

Channel 4 is entirely self-financed, generating all of its income through its own commercial activities, which in turn funds the delivery of its public remit. It produces no programmes of its own, but commissions all of its programmes from hundreds of the best independent producers across the UK. By reinvesting its earnings into great content, Channel 4 provides very significant support and investment for the creative industries nationwide.

Against the most difficult economic backdrop for several years, Channel 4 performed at close to record levels against its public remit and delivered a creditable commercial result. The television advertising market has been in decline since the EU Referendum, contracting by 3% in 2017, and this downturn in advertising was reflected in Channel 4’s total revenues, which declined to £960 million. Having been weak in the earlier part of 2017, the advertising market improved towards the end of the year.

On the back of prudent financial management over several years, we had built a strong balance sheet and reserves; therefore we were well prepared to meet the challenges of the advertising recession. In 2017, our total content spend was £675 million (our second highest ever) and I am delighted to report that of this, a record £510 million was spent on originated content, prioritising investment in high quality British programmes. In addition, to provide further flexibility, we have put in place a £75 million revolving credit facility that makes additional liquidity available should it be required.

Our financial deficit of £17 million reflects our commitment to maintaining our public remit delivery within a more challenging economic environment and was a better outcome than our planned deficit for the year.

We retain a strong balance sheet with cash reserves of £190 million, a solid financial platform for future growth and continued commercial self-sufficiency. These levels of reserves are important to provide flexibility and protection against any volatility in the advertising market, the seasonality of advertising revenues and the timing of our investment in programmes.
Our performance in 2017 demonstrated how Channel 4 is able to adapt to a challenging marketplace and to changing viewing habits. We maintained our share of viewing across the Channel 4 portfolio in 2017 whilst continuing to invest in digital innovation. This ensures that we are responding to the way in which younger audiences in particular are increasingly consuming content. In 2017, we recorded strong growth in digital revenue of +22% to £124 million and a 16% increase in programme views on All 4.

Our success in attracting and retaining viewers in 2017 was, of course, a result of our strong creative performance. We continued to deliver compelling content on screen, from brilliant new drama such as Ackley Bridge and The State, hard-hitting documentaries such as Syria’s Disappeared: The Case Against Assad and innovative new formats such as The Trial.

Audiences responded positively to this content and the Channel 4 brand, with a year of near-record remit delivery documented through our remit trackers. Audiences continue to see Channel 4 favourably when compared with other broadcasters: 43% of adults believe that Channel 4 is the best channel for tackling issues other broadcasters would not, and 46% agree that it takes risks with programming that other channels would not.

2017 was also a year of transition within Channel 4. There were significant changes at the top of the organisation, with David Abraham stepping down as Chief Executive after seven years and Jay Hunt also departing her role as Chief Creative Officer. Both made huge contributions to the success of Channel 4 and left the Corporation in strong commercial and creative health.

In their place, the Board was delighted to appoint Alex Mahon – the first female Chief Executive of Channel 4 – and Ian Katz as Director of Programmes. Alex and Ian bring deep and relevant industry experience to the leadership of the channel and will help us to write the next exciting chapter of this unique institution.

Three long-serving Board members – MT Rainey, Josie Rourke and Paul Potts – retired at the end of their final term in office at the end of 2017 and I would like to thank them for their invaluable service and support over many years. I am very pleased to welcome the four new Members who subsequently joined the Board: Althea Efunshile, Uzma Hasan, Fru Hazlitt and Tom Hooper.

2017 also provided us with welcome certainty following two years of in-depth review over the future ownership of Channel 4. The Government confirmed the significant and unique public value that the Corporation delivers and the importance of it remaining in public ownership. This conclusion recognises and underlines the important role that Channel 4 continues to play – now more relevant than ever – as British public service broadcasters ("PSB") face new competitive challenges from global technology giants.

On confirming Channel 4’s continued public ownership, the Government launched a consultation on how Channel 4 could enhance its public value, seeking views for how Channel 4 might further increase its contribution to the Nations and Regions. We welcomed the Government’s consultation and committed to producing plans to increase our impact over and above the record £189 million we spent with creative enterprises in the Nations and Regions last year.

We launched our own consultation process, meeting with over 200 independent producers, local and regional representatives and creative businesses from across the UK, as well as leading industry experts and Government. We have analysed carefully and thought creatively as to how we can deliver even more for the country whilst ensuring that Channel 4 continues to perform sustainably and deliver its public remit.

This work has now concluded and we have launched our ‘4 All the UK’ strategy, which will provide a huge boost to our investment and presence in the creative industries in the Nations and Regions in the years ahead. The strategy includes a commitment to significantly increase our content spend and establish three new creative hubs across the country, the largest of which will be a new national headquarters. These plans represent the most ambitious change in Channel 4’s operating model since its creation and have been enthusiastically endorsed by the Government.

Although the advertising market has been showing some signs of improvement, there is continued economic and political uncertainty and the challenge of a rapidly changing media landscape ahead.

However, we have entered the new year in excellent commercial and creative health, with new leadership in place, our ownership status resolved and exciting plans to deliver. This is a strong platform from which to build for the future.

I would like to thank all the team at Channel 4 whose drive, passion and imagination continue to deliver its creative and commercial success and make it such a special place.

CHARLES GURASSA
Chair