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20 years after the Communications Act 2003: the impact on production from and in Scotland

A report for Screen Scotland
prepared by Oliver & Ohlbaum Associates Ltd

O&O

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Key findings

Scotland's TV production sector has grown steadily since 2003

- The TV production sector in Scotland has experienced growth in total commissioning spend by public service broadcasters (PSBs) and inward investors, with spend on external originations – meaning commissions by a broadcaster or VOD service from any production company that is not its own in-house/commercial subsidiary studio – reaching £225 million in 2022, having grown at an annual average rate of 5.5 per cent from 2010.
- While there has been a change in the sources of commissions over time as new VOD services have emerged, the PSBs remain vital to Scotland. The BBC and Channel 4 in particular remain the largest sources of individual commissions, having increased their spending considerably in the wake of the Communications Act 2003, and they are active across a range of genres and budget levels. Related to network effects, most commissioning roles across PSBs and SVODs are in London, although some roles are in the rest of the UK; the BBC has both BBC Scotland and Network commissioners based in Glasgow, including for Network Drama, Comedy and Entertainment and Channel 4 has a Glasgow Creative Hub with commissioners focusing on Daytime and Features.
- Most of the production sector in Scotland is centred in Glasgow, with the city having developed over the past twenty years into one of the UK's largest production hubs outside London. Supported by PSB commissioning, Glasgow has developed a strong reputation for factual, features and entertainment programming. In addition, major HETV drama productions for PSBs and inward investors have taken place at studios including Wardpark in Cumbernauld, Pyramids Business Park in Bathgate and FirstStage in Leith.

Comparing PSB Network commissioning for Scottish-headquartered producers and those with a branch office reveals some important differences

- Given the importance of PSB Network commissioning to the growth and sustainability of the production sector in Scotland, we have analysed trends in commissioning from producers with an HQ in Scotland and from those founded or headquartered outside of Scotland but with an office there. This refers to commissions by the PSB Network[1] main channels that have been allocated to Scotland in Ofcom's Made out of London register and count towards the PSBs' Nations & Regions quotas.
- Firstly we considered the top 15 producers of programmes allocated to Scotland by number of episodes, for each year 2014-2022 (see table below). We found that five of these producers were headquartered in Scotland on average over the period. The remaining ten were head-quartered elsewhere, often in London, and their output qualified as Scottish under Ofcom's Guidance on regional production and regional programme definitions. In some cases this relied on the criterion of having a 'substantive base' (branch office) in Scotland.
- Overall, a total of 7,336 episodes were delivered by these top 15 producers of 'Made in Scotland' programming over the period 2014 to 2022. Of this, 5,319 episodes (73 per cent) were made by production companies with a branch office in Scotland while 2,017 (27 per cent) of the episodes were made by production companies headquartered in Scotland. In practice, Channel 4 and the BBC had commissioned 97 per cent of the episodes in the sample.

[1] For the purposes of this report this includes BBC One, BBC Two, ITV, Channel 4 and Channel 5, which are the main commissioning channels.

- Channel 4 was the main commissioner for four of the production companies in the top 15. Three of these four producers had a Scottish HQ. In total Channel 4 commissioned 593 'Made in Scotland' episodes or 57 per cent of the total episodes commissioned by Channel 4 in the sample of Top 15 producers.
- Looking at 2019-2022 only, on average 71 per cent of the episodes that Channel 4 commissioned from across the producers with a Scottish HQ met two or more of Ofcom's three criteria in Scotland (substantive base, production spend and/or off-screen talent).
- The BBC was the main commissioner for 11 of the top 15 production companies by number of episodes 'Made in Scotland'. Two of these had a Scottish HQ and accounted for a total of 1,176 'Made in Scotland' episodes across the sample, of which 829 were made by STV Studios and 347 by Friel Kean Films.
- Another 4,874 'Made in Scotland' episodes were commissioned by the BBC from the producers that have a branch office in Scotland, or 80 per cent of the BBC commissioned episodes in the sample. In 2019-2022, between 57 per cent and 84 per cent of episodes fulfilled two or more of Ofcom's criteria in Scotland, i.e. substantive base and production spend and/or off-screen talent.
- Two exceptions were IMG and Sunset + Vine (part of Tinopolis), which provided 1066 and 96 episodes to the BBC respectively and were focused on sports coverage – the main strands are the World Snooker Championship and the Bowls World Championship. For 2019-2022, the share of episodes fulfilling two or more of Ofcom's criteria in Scotland for these two producers was 16 per cent and 21 per cent, meaning that most episodes were allocated to Scotland according to the substantive base only (i.e. branch office location).

Top 15 Made in Scotland producers, by number of episodes, aggregated over the period 2014-2022

	Made in Scotland episodes	Type	Main commissioner	Main strand	Share of episodes fulfilling any two or more criteria*
1. 12 Yard *(part of ITV Studios)*	1165	Office in Scotland	BBC	Eggheads	62%
2. IMG	1066	Office in Scotland	BBC	World Snooker Championship	16%
3. STV Studios	829	HQ in Scotland	BBC	Antiques Road Trip	81%
4. BBC Studios	688	Office in Scotland	BBC	Imagine….	66%
5. Lion Television *(part of All3Media)*	610	Office in Scotland	BBC	Homes Under The Hammer	77%
6. Mentorn *(part of Tinopolis)*	517	Office in Scotland	BBC	Question Time	29%
7. Raise the Roof Productions	438	HQ in Scotland	Channel 4	Kirstie's Handmade Christmas	68%
8. Remarkable Television *(part of Banijay)*	418	Office in Scotland	BBC	Richard Osman's House Of Games	100%
9. Remedy Productions *(part of Argonon)*	383	Office in Scotland	Channel 4	Fifteen To One	46%
10. Friel Kean Films	347	HQ in Scotland	BBC	Money For Nothing	73%
11. IWC Media *(part of Banijay)*	291	HQ in Scotland	Channel 4	Location, Location, Location	73%
12. Mighty Productions	279	Office in Scotland	BBC	!mpossible	63%
13. Firecrest Films	112	HQ in Scotland	Channel 4	Supershoppers	68%
14. Sunset + Vine *(part of Tinopolis)*	103	Office in Scotland	BBC	Bowls World Championships	21%
15. Tuesday's Child	91	Office in Scotland	BBC	The Hit List	99%

Key: HQ in Scotland   Office in Scotland

*Notes: *This is the share the Made in Scotland episodes fulfilling two or more criteria of the Made Outside London criteria in Scotland, covering 2019 – 2022 (Ofcom did not publish the individual criteria macro-region prior to 2019). Includes BBC One, BBC Two, ITV, Channel 4 and Channel 5, which are the main PSB commissioning channels*
Sources: Ofcom Made Outside London Register, O&O Programme Database

- Secondly, we analysed all external PSB Network commissions in Scotland in 2014 and in 2022 and examined the differences in the type and levels of activity for producers headquartered in Scotland and those with a branch office in Scotland. These differences are apparent when looking at the share of new and returning strands and volume of hours per strand, as well as the daypart and genre mix. Here we focus on the results for 2022.
- We found that producers with a Scottish HQ won more such PSB Network commissions than producers with a branch office in Scotland in 2022 (42 titles compared to 24). However, this represented fewer hours (267 hours compared to 534 hours). Much of the difference in hours is due to commissions for sports coverage (notably the snooker and bowls coverage mentioned above), plus some entertainment strands, which had a high volume of hours per title.

- While a majority of hours commissioned from Scotland-headquartered producers were returning hours, at around 65 per cent on average in 2022, this rose to 94 per cent of hours for producers with a branch office in Scotland. While new commissions provide the opportunity for innovation, returning hours provide financial stability and predictability, enabling investment. At the same time, a somewhat higher proportion of hours commissioned from Scotland-headquartered companies were shown during peak time, which will be higher value productions on PSB Network main channels (47 per cent compared to 36 per cent of total hours in 2022).
- Turning to genre, Scotland-headquartered companies are more specialised in factual genres, which represented 85 per cent of these PSB Network commissioned hours in 2022. In contrast, factual accounted for 19 per cent of such PSB Network commissioned hours for producers with a Scottish branch office, as these had greater diversification by genre. This means producers with a Scottish HQ may be more exposed to the trend of PSBs moving towards more scripted content, although they have also been successful in winning drama commissions in recent years, which provides an important platform for further growth and diversification.

Policy initiatives can continue to positively impact Scottish TV production

- The Communications Act 2003 has had a significant, broadly positive impact on the production landscape across the UK, helping to unlock production growth in Scotland through the introduction of the legislative framework for key policy levers, notably the Nations & Regions quotas and the Terms of Trade.
- The legislative intention behind the Nations & Regions quotas in the Communications Act 2003 was to create 'strong regional production centres' that can 'create jobs, opportunities for training and gateways into the creative industries at a national level' and 'help to address geographical imbalances within the national television production industry' – these are outcomes that have broadly been delivered in Scotland.
- Following sustained growth in recent years, the television production sector in the UK is now facing a slowdown in commissioning activity driven by a series of external factors. There has been a recent decrease in commissioning activity by the PSBs due to pressure on revenues, with the BBC's reduction in originated hours and Channel 4's recent commissioning freeze. This is combined with a wider industry trend of polarisation in content spend with commissioners prioritising fewer, high value originations alongside lower budget content. These factors could affect Scotland to a greater degree than other parts of the UK to the extent that Scotland is recognised as a leading producer of daytime, factual and factual entertainment programmes. Despite this, the outlook for the UK's audiovisual sector remains positive in the long term.
- Looking ahead, the Media Act 2024 (which includes changes to the current quota system), Ofcom's Channel 4 relicensing process, the PSB Review, the BBC Charter renewal and licence fee review, as well as keeping Ofcom's regional production guidance under review, will provide opportunities to ensure the right foundations are in place to sustain growth in the production sector across the UK in the next decade.
- The level of the quotas will remain a matter for Ofcom, through the PSB licences, alongside Ofcom's regional production and programme guidance. Implementation of the Media Act 2024 will provide parties involved in programme supply and the PSBs with the opportunity to discuss the outcomes for the new regime and how to deliver these in practice. There remains an overarching policy aim to support and strengthen the TV production sector and creative economies of the UK's Nations & Regions, and to ensure that audiences have access to programmes that are relevant to them and the areas in which they live.
- For the future, we heard in interviews how it is important to take a strategic approach to commissioning that supports Scotland-originated content, authentic representation, and the creation of returnable formats with international appeal. This would provide greater stability during downturns in commissioning and secure the foundations for sustainable growth.

1 Introduction

This report explores the trends seen in the Scottish TV production sector since the Communications Act 2003, with a particular focus on developments in the decade prior to 2023. It examines the structure and makeup of the sector and how this has evolved over time. It also looks at future opportunities and sets out recommendations for the future.

1.1 Scope and approach

This report was commissioned by Screen Scotland to assess the impact that the Communications Act 2003 has had on production from and in Scotland, and on Scotland's TV production company ecology since its introduction. It looks at trends in TV production in Scotland, focusing on the UK Public Service Broadcasters (PSBs) – primarily the BBC and Channel 4 as the largest commissioning broadcasters in the market. We present an analysis of trends in commissioning, looking at the number and volume of commissions and levels of investment in originated content.

To understand the market developments since 2003, we have used a variety of quantitative and qualitative methods. We brought together data from a range of sources, including analysis of the *O&O Producer Database*, the Pact Census carried out by O&O, broadcaster schedules, Ofcom publications and industry reports. We complemented this with insights from an interview programme with independent producers, Screen Scotland, Ofcom Scotland, and Dr Katherine Champion of University of Stirling and Dr Lisa Kelly of University of Glasgow.

1.2 About the authors

O&O is a leading independent advisor to the media, entertainment and sport sectors, with complementary practice areas across policy, strategy, commercial and investment. We have an in-depth understanding of the competitive dynamics of the UK's TV and film, radio and audio, news and online sectors.

O&O has been a specialist advisor on the production sector for over two decades, working on buy and sell side transactions, competition assessments, market sizing and value chain analysis, production and commissioning strategies, and public policy around fiscal incentives, territoriality of rights, and local content regulation including quotas, content funds and the UK PSB terms of trade. In doing so, O&O has worked for major commissioning broadcasters and VOD services, producers, investors, trade associations, Ofcom, DCMS and the European Commission. O&O maintains its own in-house *Producer Database* and carries out an annual Census of the UK production sector on behalf of Pact.

1.3 Glossary

PSB Network

For the purposes of this report, unless stated otherwise, charts include the channels BBC One, BBC Two, ITV, Channel 4 and Channel 5, which are the main PSB commissioning channels.

Qualifying programmes/hours

This refers to first-run originated network programming and excludes news.

Made outside London (MoL)

This refers to production that meets two out of the three criteria: a substantive business and production based in the UK outside the M25; at least 70 per cent of the production budget must be spent in the UK outside the M25; and at least 50 per cent of the production talent (i.e. not on-screen talent) by cost must have their usual place of employment in the UK outside the M25.

Made outside England (MoE)

This refers to production classified as Made Outside England, that usually has two of its three criteria, outlined by Ofcom, assigned to either Scotland, Wales or Northern Ireland. The exception to this rule of "two out of three" criteria is where all three criteria are met in different parts of the UK. In that circumstance 100 per cent of a programme's volume and value is allocated by Ofcom's criteria to the substantive base.

Qualifying independent production company (QIs)

A company not tied to a UK broadcaster through significant common ownership. The Broadcasting (Independent Productions) Order 1991 (as amended) states that an independent producer is: not employed by a broadcaster; does not have a shareholding greater than 25 per cent in a UK broadcaster; or in which no single UK broadcaster has a shareholding greater than 25 per cent or any two or more UK broadcasters have an aggregate shareholding greater than 50 per cent.

Non-qualifying independent production company (NQIs)

A production company which is more than 25 per cent owned by any company which also owns a UK broadcaster.

In-house studio

A production company which is more than 25 per cent owned by the UK broadcaster, or the parent company of that broadcaster, that the company is producing a programme for.

External PSB studio

A production company which is more than 25 per cent owned by a UK PSB broadcaster, or the parent company of that PSB broadcaster, other than the broadcaster that the company is producing a programme for.

External productions

Programming commissioned by a broadcaster or VOD service from any production company that is not the commissioning service's own in-house/commercial subsidiary studio.

Scotland-headquartered company

A production company headquartered in Scotland.

Producer with a branch office in Scotland

A production company with a branch office in Scotland but headquartered outside of Scotland.

2 The overall UK TV landscape

This part of the report sets out the current policy and market context for the UK TV sector. We consider sector dynamics and some of the key trends that are driving change. This provides context for our deep dive into production in Scotland in the next part.

2.1 The Communications Act 2003 has been vital to sector success

This section provides an overview of the current policy landscape relating to UK TV production and Scottish production in particular.

2.1.1 The Communications Act 2003 ushered in a new era for independent production

The UK and Scottish production sector dynamics and trends studied in this report took place in the context of – and were enabled and supported by – judicious policy interventions alongside production sector ambitions. Overall, the development of the UK regulatory framework for production may be summarised in three phases:

Phase 1: Birth of the independent production sector: To introduce diversity of supply, competition and creative challenge to the vertically integrated BBC in-house production and ITV network franchises, Channel 4 was launched as a publisher-broadcaster (1982). A new generation of creative talent was encouraged to form independent production companies.

Phase 2: Introduction of the independent production quota: By 1990, the BBC and ITV's in-house production businesses still accounted for around 90 per cent of the commissioning market, and Channel 4 was effectively a monopoly buyer of independent producers' output. An independent production quota for the BBC was established by the Broadcasting Act 1990 and was set at 25 per cent.

Phase 3: Introduction of the terms of trade and Nations & Regions quotas: The **Communications Act 2003** required Ofcom to include an independent production quota in the licences of all licensed public service channels (set at 25 per cent). However, with an independent production quota alone, there remained a significant imbalance in bargaining power between UK PSBs and independent producers. This was because the PSBs accounted for most commissioning activity in the UK. To unlock sector growth, the quota had to be combined with a framework for terms of trade. The Communications Act 2003 required each PSB to establish a code of practice on the principles they would apply when agreeing terms for the commissioning of independent productions for their licensed PSB channels. The two sides then agree detailed terms of trade through commercial negotiations. In particular, the terms of trade clearly separate out primary, secondary, and ancillary rights, and make clear that these remain with the producer. While a PSB typically acquires a fixed-term licence for primary exploitation from the producer when it commissions an independent production, the independent producer can choose to retain the secondary and ancillary rights and exploit these itself.

Secondly, the Communications Act introduced the framework for quotas for network and regional production in the Nations; this is complemented by provisions in the commercial PSB licences and in the BBC Charter and Agreement and BBC Operating Licence. The policy intention was to create 'strong regional production centres' that can 'create jobs, opportunities for training and gateways into the creative industries at a national level' and 'help to address geographical imbalances within the national television production industry'.[2]

[2] A New Future for Communications 2000, paragraphs 4.46 and 5.7.1-5.7.2.

The combination of the independent production quota, Nations & Regions quotas and the PSB terms of trade have brought significant benefits to audiences, the PSB system and the independent production sector, including in Scotland.

2.1.2 How the Nations quotas are implemented and enforced

Ofcom uses a mixture of regulatory tools to implement and enforce the Nations & Regions quotas. In each of the PSBs' licences, it has imposed quotas on the minimum share of hours and spend to be allocated to first-run regional productions, excluding news. The quotas vary by broadcaster. Only the BBC has quotas for production in each Nation, with 8 per cent of both hours and spend required in Scotland. Channel 4 has an overall 'Made outside England' quota of 9 per cent and an 'out of London' quota of 35 per cent; it has adopted a voluntary target of 50 per cent spend out of London. Meanwhile, ITV and Channel 5 can meet their quotas through hours and spend anywhere outside of the M25, including in the English regions. The Channel 4 Nations quotas were raised in 2020 from 3% to 9%.

Table 1: Current regional production quotas

<table>
<tr><th></th><th></th><th>BBC</th><th>ITV</th><th>Channel 4</th><th>Channel 5</th></tr>
<tr><td rowspan="2">Production in the UK outside the M25</td><td>% of network programme hours</td><td>50%</td><td>35%</td><td>35%</td><td>10%</td></tr>
<tr><td>% of production spend</td><td>50%</td><td>35%</td><td>35%</td><td>10%</td></tr>
<tr><td rowspan="2">Production in the Nations outside of England</td><td>% of network programme hours</td><td>Scotland: 8% Wales: 5% Northern Ireland: 3%</td><td>N/A</td><td>9%</td><td>N/A</td></tr>
<tr><td>% of production spend</td><td>Scotland: 8% Wales: 5% Northern Ireland: 3%</td><td>N/A</td><td>9%</td><td>N/A</td></tr>
</table>

Ofcom licence conditions require the PSBs to ensure that their regional productions, taken as a whole, provide a suitable range of programmes and that their spend refers to a suitable range of production centres outside the M25. BBC One, BBC Two and the Channel 3 services also have regional programming quotas; this output must be of particular interest to people living in the geographic area where the service is provided and a suitable proportion of the programmes should be made in the area where the service is provided.

Ofcom has issued 'Regional production and regional programme definitions: Guidance for public service broadcasters', which includes how productions should be allocated to a geographic area and was last updated and strengthened in 2019.

Ofcom's regional production and regional programme guidance for PSBs:

To count towards the regional production quotas by hours, productions must meet two out of three criteria. The same applies to the spend quota, in which case the full expenditure (by the broadcaster only) is allocated to that area. The criteria are:

a. Substantive base

The production is managed from the substantive base, which is the usual place of employment of executives managing the regional business, and senior personnel involved in the production in question, and senior personnel involved in seeking programme commissions.

Ofcom's policy objective is to 'embed TV production in the nations and regions to achieve a degree of permanence that can stimulate and build viable production ecologies outside the M25'. Ofcom considers that the producer 'will have an authentic presence in the nation or macro-region in which it has its office and will be contributing to that local area's creative economy on an ongoing basis'.[1]

b. Production spend

At least 70 per cent of the production spend must be spent in the UK outside the M25 (excluding the cost of on-screen talent, archive material, sports rights, competition prize-money, copyright costs and any production fee).

Ofcom's policy objective is to 'deliver genuine investment in TV production outside of the M25'.[1]

c. Off-screen talent

At least 50 per cent of the production talent (i.e. off-screen) by cost must have their usual place of employment outside the M25 (or for freelancers, live outside the M25).

The policy objective is to 'ensure genuine creative job opportunities across varying levels of seniority in TV production in the nations and regions. Attracting talent to those areas can in turn help to create strong regional production centres'.

If the substantive base criteria is met in an individual "macro-region", such as Scotland, the total spend and hours of the production may be allocated to Scotland provided either b) or c) is met – and these only need to be met outside of the M25, not necessarily in Scotland.

2.1.3 The Media Act 2024 makes changes to the Communications Act

The Media Act 2024 updates the Communications Act, 20 years on. A significant element is to extend the quotas for independent productions, original productions and regional programme-making, as well as the Terms of Trade, to encompass not only traditional PSB broadcast channels but also PSB BVOD services, to recognise that PSB commissioning behaviour will increasingly skew towards digital-first commissions. Related to this, implementation of the Act will change the measurement of the quotas from a proportion of hours and expenditure to an absolute number of hours and amount of expenditure. This is because BVOD services are not constrained by a broadcast schedule and may have large catalogues of varying sizes, which may include a higher volume of archive content and acquisitions.

The level of the quotas will remain a matter for Ofcom, through the PSB licences, alongside Ofcom's regional production and programme guidance. Government is due to prepare secondary legislation on relevant definitions and then Ofcom will consult on its proposed methodology for setting quota levels, and on guidance for the PSBs on preparation of statements of programme policy and terms of trade codes of practice. Ofcom's 'Roadmap to Regulation' following adoption of the Media Bill does not mention its regional production and programme guidance.[3]

The Media Act also extends prominence and availability requirements to PSB BVOD services. This is expected to support the availability, reach and consumption of PSB on popular connected TV platforms. This should also support advertising revenue generation for the commercial PSBs, which affords them the opportunity to commission a depth and breadth of high-quality content from the UK and Scottish production sector, which in turn can be viewed by a wide range of audiences.

As we will now explore in the rest of this report, the Communications Act 2003 and overall regulatory framework for production has facilitated considerable sector development and diversification domestically, triggering growth in international commissions and exports. The makeup of producers has also changed over time, with the sector expanding to support companies of all specialisms and sizes.

The sector in Scotland has broadly tracked the trends seen at the wider UK level over the past 20 years, with significant growth in content spend and commissioning activity supported by the regulatory framework. While the PSBs remain a major cornerstone of commissioning activity among Scottish producers, the sector has steadily won more work from content commissioners from around the world. As a result, we have seen important growth in the number of production companies as well as in the variety of content produced in Scotland, with Scottish producers able to retain IP in PSB commissions in exchange for taking the risk on production finance.

2.2 The UK TV landscape has experienced considerable change in the past 20 years

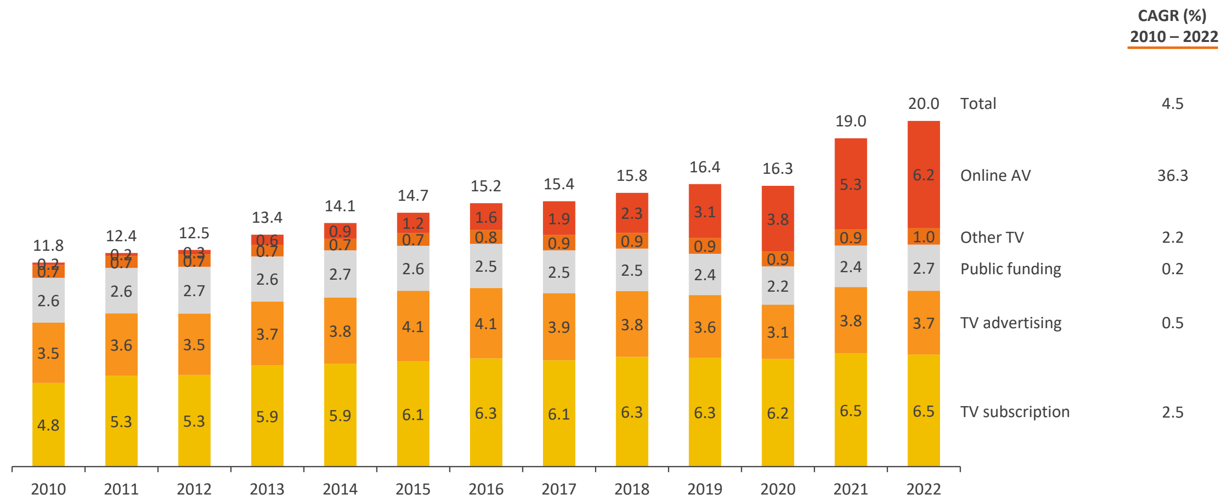
Over the past two decades, the UK's TV sector has evolved significantly, with digitalisation bringing new challenges and opportunities. Technological developments have dramatically changed the way in which consumers access and engage with TV content since the early 2000s, paving the way for innovation by broadcasters and new market entrants in the form of video on demand (VOD) services and video sharing platforms (VSPs).

2.2.1 Demand side revenues reached £20 billion in 2022, underpinned by growth in online AV

The emergence and rapid growth of new content services has increased competition for audiences and driven up total TV and AV sector revenues. As illustrated in **Figure 1**, total revenues rose by an annual rate of 4.5 per cent between 2010 and 2022, with much of this growth driven by online audiovisual services, which grew to account for more than 30 per cent of total sector revenues in 2022. (This segment includes online video advertising on VOD and video-sharing platforms (VSPs), subscription VOD, and digital rental and retail). The growth in online AV has accelerated in recent years, with revenues almost doubling between 2019 and 2022.

[3] Ofcom, 'Media Bill: Ofcom's roadmap to regulation', 2024

Figure 1: UK TV & AV sector revenues by type, 2010-22 (£bn)



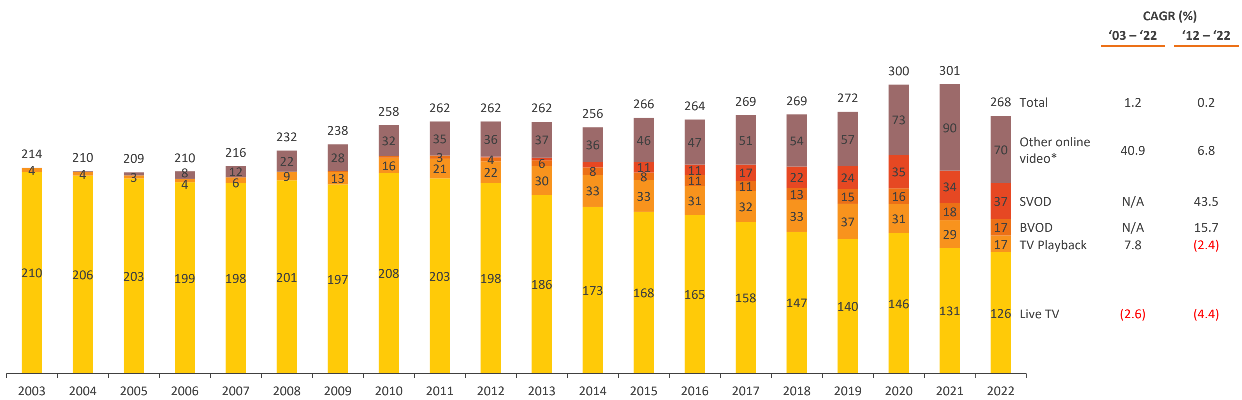
Note: Figures expressed in nominal terms. Online AV includes revenues generated by online video advertising (any ad-funded video spend including catch-up services and VSPs etc), OTT subscriptions, digital rental and retail. Public funding includes the BBC licence fee
Source: Ofcom Communications Market Reports 2011 – 2023

Comparatively, traditional TV revenues experienced slow growth over the period; this is particularly noticeable in TV advertising revenues and public funding, which have remained broadly stable, but declined in real terms once inflation is considered.

2.2.2 Changing consumer behaviour has driven the gradual transition towards online AV

The continuing digitalisation of content distribution has changed the way consumers access and consume audiovisual content. As shown below in **Figure 2**, whilst the level of average daily video viewing per person across the UK rose steadily between 2003 and 2022, at an annual average rate of 1.2 per cent, the mix of audiovisual media being consumed has changed significantly. Traditional TV broadcasters' share (including linear, playback and BVOD) declined over the period from almost all viewing in 2003 to around 60 per cent in 2022 as consumers have gradually transitioned their audiovisual consumption towards on-demand services.

Figure 2: UK daily average video viewing time by type, 2003-22 (Individuals 4+, minutes per person per day)



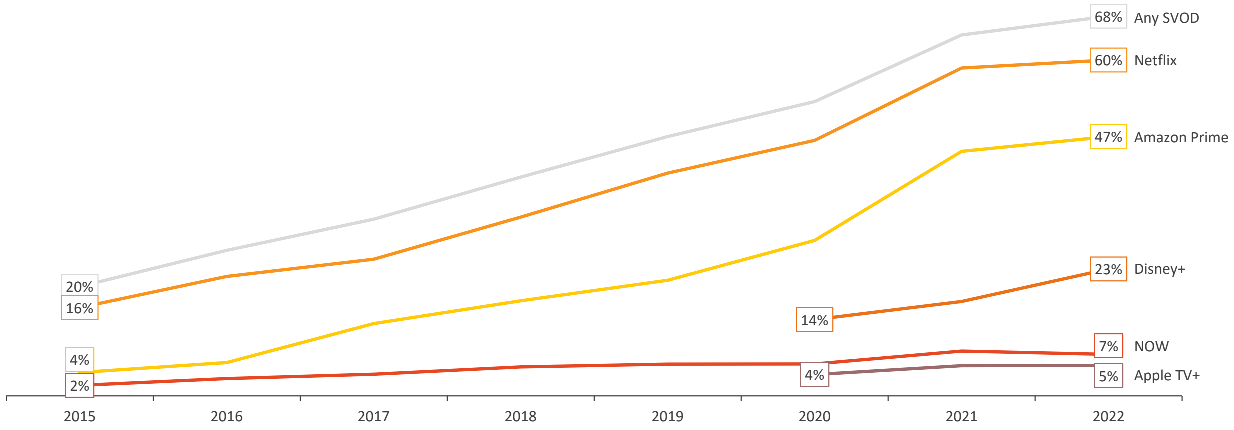
*Note: *Other online video includes online platforms such as YouTube, Tiktok and Facebook as well as online adult video*
Source: BARB, Thinkbox

As consumers have shifted their audiovisual consumption, traditional broadcasters have sought to adapt and secure their presence through their own on-demand services, such as BBC iPlayer, ITVX and STV Player. As illustrated in Figure 2, viewing to these broadcaster VOD (BVOD) players has risen steadily since 2010.

The largest area of growth has been 'other online video', which includes Video-Sharing Platforms (VSPs) such as YouTube and TikTok, as well as video on wider social media platforms like Facebook. This has grown at an annual average rate of 40.9 per cent from 2003 to 2022, reaching 70 minutes per person per day to become the second most watched segment after 'Live TV'.

As we can see further in **Figure 3**, uptake of SVOD services has also increased significantly in recent years, with penetration rising from just 20 per cent of UK households in 2015 to 68 per cent in 2022. Growth accelerated in 2020 due to changing consumer behaviour during the Covid-19 pandemic but has since slowed, and in some cases declined, as Covid restrictions have been lifted and the global economic climate has worsened leaving many consumers with less disposable income.

Figure 3: UK SVOD penetration, 2015-22 (% of households)



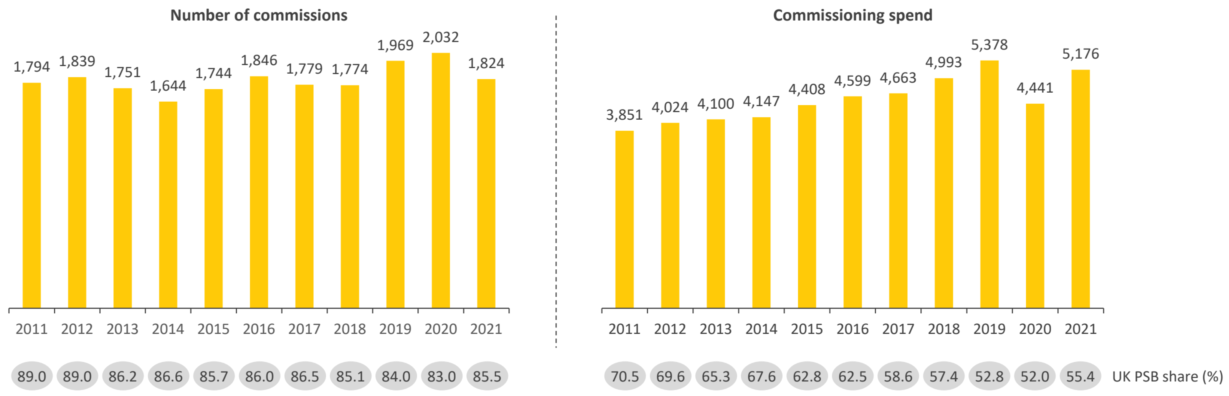
Source: BARB, Ofcom

2.2.3 The makeup of content commissioners in the UK has changed as new content services have grown

Turning to the supply side, in the early 2000s, the UK PSBs typically accounted for around 90 per cent of all commissioning spending in the UK. Over the course of the next decade, the launch of PSB portfolio channels and entry of international multichannel services as commissioners of UK content created new opportunities for producers to secure commissions.

The most recent driver of change has been the entry and growth of SVOD services, and the associated evolution of consumption habits and changing competitive dynamics amongst content providers. This has seen further change in the make-up of commissioning; spend from domestic multichannel services and international broadcasters has risen significantly, and there has been strong growth in commissioning spend by international SVODs since 2015. As the sector has evolved, the UK PSBs' share of commissioning spend has moderated.

Figure 4: Total UK commissioning activity and spend on UK originations, 2011-21 (£m)



Note: Includes returning commissions
Source: Ampere Analysis, O&O Programme Database, Oliver & Ohlbaum analysis

Source: Ofcom, Pact Export report, Pact UK Television Production Census 2023, COBA Content Investment report, Oliver & Ohlbaum analysis

Despite this change in the mix of commissioning broadcasters/platforms, particularly over the past decade, the UK PSBs and their portfolio channels still play a critical role in supporting the UK TV production sector. As illustrated in **Figure 4**, the PSB Network main channels still account for the majority of the commissioning market in spend terms, at 55.4 per cent in 2021. Moreover, they are responsible for around 80 to 90 per cent of individual commissions each year. They also commission a broader range of content genres and at a broader range of budget levels than other content commissioners.[4]

Another aspect we have considered is where individual commissioning personnel are based. Due to network effects, individual commissioners working for broadcasters and more recently SVOD services are centred in London. In recent years, the BBC and to a lesser extent Channel 4 have sought to base some commissioning staff in the Nations & Regions, most recently as part of the BBC 'Across the UK' and C4C 'All 4 the UK' strategies. In particular, the BBC has both BBC Scotland and Network genre commissioners based in Glasgow, including for Network drama, comedy and entertainment. Channel 4 has a Glasgow Creative Hub with commissioners focusing on daytime and features. The Nations & Regions production quotas will play a role in this transition, along with their PSB remits to reflect and serve all audiences and to help drive growth and innovation in the creative industries across the UK. This also coincides with wider UK industrial policy to 'level up' growth and opportunity beyond South East England.

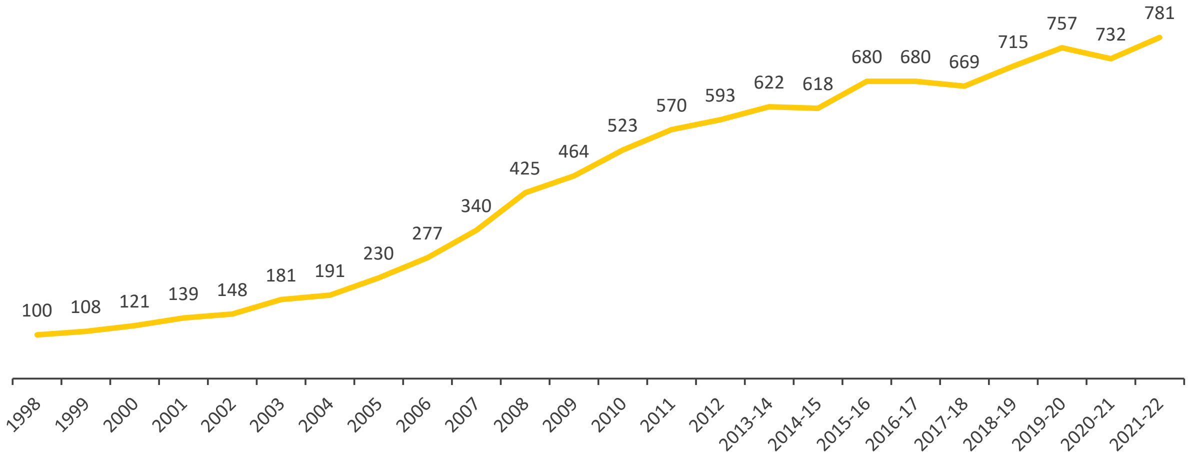
2.2.4 The UK has established itself as a major global production hub

Over the past 20 years, the UK has developed into one of the highest exporters of TV content worldwide and attracted significant inward investment, becoming a leading global production hub.

Because of the rights settlement under PSB terms of trade, international sales of programmes have become an important revenue stream for UK producers, with the rapid growth in exports enabling producers to secure an income stream where their programme and related intellectual property (IP) proves successful, supporting them in building globally successful businesses.

[4] Understanding the UK's TV production sector, Oliver & Ohlbaum Associates, 2023

Figure 5: Growth in UK TV programme exports, 1998-2021/22 (£m / indexed 1998 = 100)



Note: *The reported periods in the source data changed from calendar to financial years after 2012 – the growth rate between 2012 and 2013-14 is therefore based on the restated 2012-2013 equivalent. A change in methodology in 2016-17 used by Pact led to anomalous data*
Source: *BTDA / TRP / UKTI / PACT, Oliver & Ohlbaum analysis*

This growth in exports has coincided with the UK establishing a reputation for creating high quality content and developing into a major production hub, supported by the regulatory framework that developed after the introduction of the Communications Act 2003. Rising inward investment in recent years has contributed to growth in the overall UK creative sector, bringing new skills and ideas and enriching content creation across the country.

This international success has been borne out by the strong growth seen recently in investment in UK content, driven particularly by the global SVODs. Since 2015, the level of commissioning activity and spend from these SVOD services has increased steadily. Netflix has been the most active of these services, accounting for the vast majority of SVOD commissions with UK producers since 2015, while more recent entrants to the market, such as Amazon Prime Video, Apple TV+ and Disney+, have helped drive further growth.[5]

The growth of commissioning from the global SVODs has altered dynamics in the sector, notably around budgets and expectations for production staff wages. In 2021, SVOD commissions accounted for around 2 per cent of all UK commissions yet represented 7 per cent of spend.[6] This highlights the typically high level of spend per commission by SVODs compared to that of other content commissioners in the market, driving up average production budgets and audience expectations in those genres. While this has mostly been seen in scripted content, with SVODs initially investing heavily in premium drama, there has been some diversification of the genres commissioned, especially towards factual entertainment and specialist factual.

Although SVOD commissioning activity has grown rapidly, it remains a relatively small segment in terms of the number of programmes commissioned each year compared to that of traditional broadcasters, particularly the UK PSBs. It is also important to note that PSBs commission a greater variety of content than SVODs, with far more non-scripted than scripted programming each year. This is in part driven by the need for the PSBs to deliver against their remits and provide public value to all audiences, which non-scripted content often allows for.

[5] Understanding the UK's TV production sector, Oliver & Ohlbaum Associates, 2023
[6] Ibid

2.2.5 After this period of strong growth, the UK production sector is now experiencing a slowdown

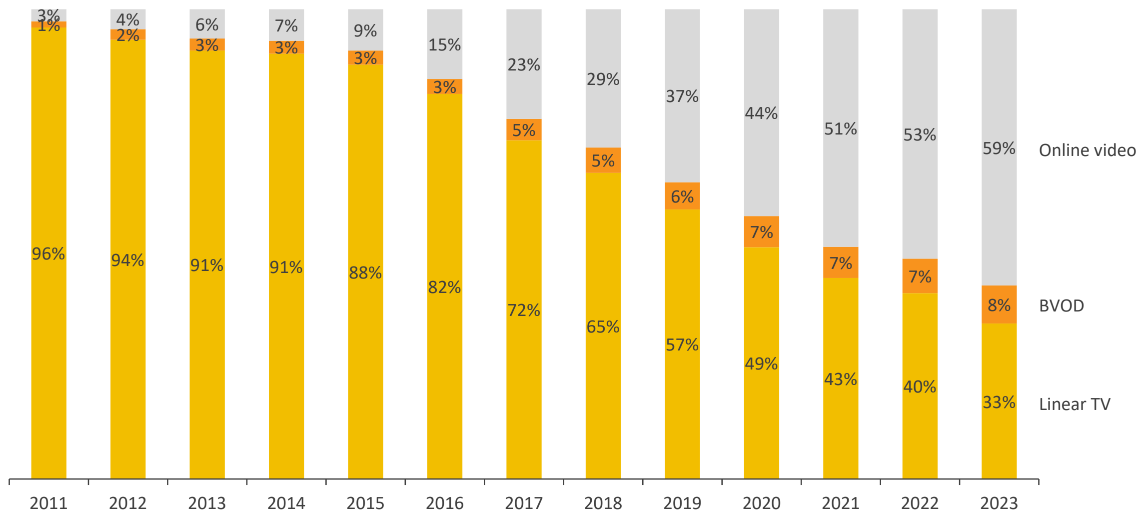
If we look at a snapshot of the UK TV production sector today, it is subject to a confluence of external factors, which are contributing to downward pressure on content budgets across all types of commissioning broadcaster/VOD service and leading to a slowdown in commissioning activity.

All commissioner types have experienced funding pressures in recent years

Among these, the freeze in the level of the licence fee followed by below-inflation rises has represented a decline in real terms funding for the BBC. The BBC announced in March 2023 its decision to cut 1,000 hours of commissions that year. While half would come from sport due to fluctuations in annual events, around 500 hours would come from focusing on "more unique, high-impact content" and, for example, focusing on archive content and arts and music performances on BBC Four and reducing factual originals.[7]

Compounding the challenges presented by the constrained commissioning activity from the BBC, the UK's broadcast TV advertising market has experienced a sustained decline since 2015, falling at an annual average rate of around 1 per cent to 2023; within this, the largest segment of the market, linear spot adverts, fell by 24 per cent between 2015 and 2023.[8] This downturn in TV broadcast advertising revenues has come with the increasing transition of advertising spend away from linear TV towards other forms of video, including BVOD, but especially Video-Sharing Platforms (VSPs) and wider social media.

Figure 6: Share of UK TV and online video advertising spend by type, 2011-23 (%)



Source: AA/WARC Expenditure Report

This trend is expected to continue in the coming years, putting additional pressure on the commissioning budgets of the commercial PSBs such as Channel 4 and ITV, which account for a large portion of UK commissioning spend, as well as commercial multichannel broadcasters.

As noted earlier, the global economic downturn and the worsening cost-of-living crisis have altered consumer behaviour and disposable income. This shift has led to a slowdown in growth for global SVOD players, prompting the

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[7] BBC Annual Plan 2023/24, March 2023
[8] AA/WARC Expenditure Report

introduction of ad-supported tiers, potentially further impacting traditional broadcasters that typically occupy the AVOD market by offering free ad-supported services to local audiences.

This pressure on PSB revenues is particularly impactful in those parts of the UK that rely on PSB commissioning. It has prompted a renewed emphasis on a "fewer, bigger, better" approach to commissioning, with a move towards higher value scripted content that the PSBs expect to work well across broadcast and their BVOD services, and a reduction in investment in daytime and related genres such as factual entertainment. As we will see in the next part, this development is especially relevant to Scotland, where producers have a reputation for their factual programming.

Cost inflation has exacerbated the impact of revenue pressures

The sector has also seen production cost inflation in recent years, which has been influenced by a variety of factors including the emergence of new commissioners of UK content such as Netflix, Amazon Prime Video and Apple TV+, with competition driving growth in spend. In the wider economy, the Covid-19 pandemic and ongoing recovery, and macro-economic inflation, also had an impact. This resulted in talent and skills shortages in production. While production costs can vary significantly by genre, resources across the sector became increasingly expensive.

As budgets have shrunk and costs have risen, finding the means of financing productions has become more difficult. Production companies need to pull together financing from an increasing number of sources including distribution and licensing deals, co-productions, self-funding, grants and other public agency support and tax relief in order to secure a production. We heard in producer interviews that third party investors are more risk adverse than in the past.

2023-24 has brought further change, with the sector now experiencing a slowdown in commissioning linked to falling broadcaster/VOD service revenues and persistently high inflation. This has increased financial pressures on the production sector and led to a surplus of resources, meaning employment opportunities are increasingly limited for freelancers in some parts of the sector.

The slowdown in commissioning has affected sector employment and the sustainability of some production companies

The impact of the slowdown on the sector, particularly the PSB-focused TV production subsector, can be seen particularly in recent changes to sector employment. The sector's freelancer pool has been vulnerable, with nearly 4,000 film and TV workers reported to be out of work in September 2023, compounded by the SAG-AFTRA and WGA strikes in the US, with a significant portion of unscripted roles affected.[9] This is further underscored by reports from a Bectu survey in May 2023, where 85 per cent of respondents noted a quieter than usual last six months. [10]

Due to the slowdown, concerns have been raised in the press and were mentioned in our interviews that this could lead to some workers leaving the sector permanently.[11] [12] It is important to note that the current slowdown has come after a period of disruption to production brought about by the Covid-19 pandemic, which had already caused many to seek work outside the sector.

If the slowdown in commissioning continues, there are likely to be fewer opportunities for producers in the short term; depending on their financial strength, this could pose a potential risk for some companies' sustainability.

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[9] https://bectu.org.uk/news/three-quarters-of-uk-film-and-tv-workers-currently-out-of-work-bectu-survey
[10] https://bectu.org.uk/news/half-of-freelancers-in-unscripted-tv-out-of-work-and-three-quarters-struggling-financially-bectu-survey-reveals
[11] https://www.broadcastnow.co.uk/freelancers/bectu-boss-issues-urgent-call-to-action-on-talent-exodus/5190821.article
[12] https://www.theguardian.com/media/2023/nov/08/to-leave-is-heartbreaking-the-film-and-tv-makers-forced-into-other-jobs

Nonetheless, the sector has experienced downturns and rebounded in the past to achieve long-term growth; it is likely that the current slowdown is cyclical, presenting the sector with the challenge and opportunity of securing a sustainable future.

The recent UK government decisions to increase the rates of tax relief for children's and animation TV production[13], and independent film[14] will provide important support to tackle market failure in investment in these genres, generating economic as well as cultural and social benefits across the UK.

2.2.6 Despite this slowdown, the long-term outlook for the sector remains positive

Despite the ongoing challenges that the sector is facing, the longer-term outlook for the sector is positive, with demand for UK-produced content likely to remain high for both commissions and acquisitions. Some further opportunities could come from SVOD services as they seek to attract and retain subscribers by diversifying their content portfolios beyond premium scripted and into other areas such as specialist factual, comedy or reality. Meanwhile, broadcasters are looking to build their BVOD services with larger catalogues and stand-out originals to meet audience and advertiser needs online. Short-form content is increasing in popularity, especially among younger audiences, and allows for format innovation to suit both VOD and VSP distribution. Overall, given the strongly competitive TV and AV sector in the UK and the popularity of UK content around the world, UK producers seem well placed to make the most of new possibilities as circumstances improve.

[13] https://www.pact.co.uk/latest-updates/news/detail.html?id=pact-welcomes-tax-reliefs-announcement
[14] O&O, 'A review of the challenges facing UK independent film and the impact of tax relief support: A report for Pact', 2023

3 The structure and dynamics of the Scottish TV production sector today

As the UK production sector has evolved over the past two decades, the sector in Scotland has experienced change. First, we will look at the structure and dynamics of the sector in 2022, and in the next part we will look at the historical developments that have brought us to this point.

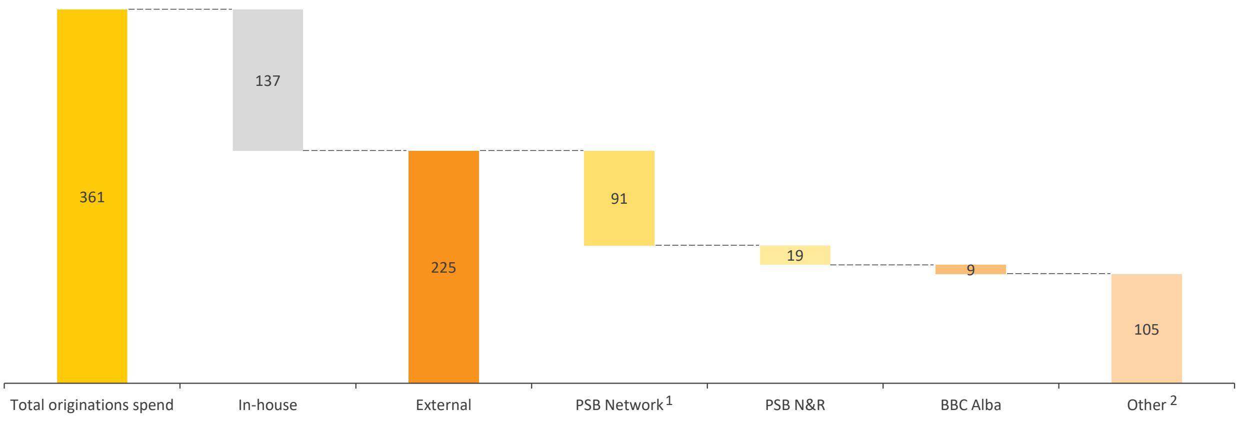
3.1 Scotland has a vibrant TV production sector

In this section, we will examine the current makeup of commissioning in the sector, looking at both levels of investment and type of activity, focusing on external commissions, and the role that PSB Network originations play. We then provide an overview of dynamics in skills and talent in the sector in Scotland today.

3.1.1 Total originations spend in Scotland was estimated at £361 million in 2022

Total originations spend in Scotland is estimated to have reached £361 million in 2022 as illustrated in **Figure 7**. In-house productions, meaning those commissioned by a broadcaster from its own studio, accounted for 38 per cent of this spend, mostly made-up of BBC in-house productions, with external productions making up the remainder. "External originations" means programming commissioned by a broadcaster or VOD service from an independent production company or from another broadcaster/VOD service's own studio.

Figure 7: Estimated total Scotland TV originations spend, 2022 (£m)



Note: [1] For the purposes of this chart, PSB Network includes BBC One, BBC Two, BBC Portfolio channels, ITV, Channel 4 and Channel 5. [2]Other includes commissioning spend from commercial PSB portfolio channels, multichannels and international clients such as VOD players
Source: Company annual reports, Ofcom CMR, Ofcom PSB Annual report, Ofcom Media Nations report, Ofcom PSB Compliance report, Pact UK Television Production Census, Oliver & Ohlbaum analysis

Examining the £225 million of spend on external originations in Scotland in further detail, **Figure 7** shows a breakdown of its component parts. In 2022, we estimate that PSB Network commissions accounted for the largest individual segment, at just over £91 million. This was primarily the BBC Network, plus Channel 4. BBC Scotland and STV contributed around £19 million, and spend from Scotland's Gaelic-language channel, BBC Alba, surpassed £9 million. Outside of these channels, spend from the commercial PSB portfolio channels, multichannels and international broadcasters/VOD services reached £105 million.

Spend on external originations in Scotland accounted for around 7 per cent of total external originations spend in the UK, which surpassed £3 billion in 2022. To better contextualise this spending, we have benchmarked against a set of metrics outlined below in **Table 2**. When considering spend on external originations as a share of GDP in 2022, investment in Scotland is slightly higher than the UK overall at 0.12 per cent of its GDP compared to the UK's 0.10 per cent. On a per capita basis, the spend in Scotland is £41 per head of the population, which is slightly lower than the UK average of £45 per head of the population. These figures highlight the importance of the domestic UK TV production sector to Scotland's economy, and particularly commissions from the BBC and Channel 4.

Table 2: Comparison of Scotland and UK external TV originations markets, 2022

	Scotland	United Kingdom
External originations spend as a % of GDP	0.12%*	0.10%
External originations spend per head of population	£41	£45

*Note: *Scotland onshore GDP only*
Source: ONS, Scotland Census, Scottish Government, IMF, Oliver & Ohlbaum analysis

3.1.2 Non-scripted content accounted for most external PSB Network originations in Scotland

For the purposes of this report, we have focused on PSB Network commissions from the main PSB channels from production companies based in Scotland.[15] These include both companies founded in Scotland, and companies founded elsewhere that have opened offices in Scotland. In 2022, we estimate that this activity amounted to 66 commissions or 801 hours, representing an estimated 4.9 per cent of all programmes and 6.2 per cent of all hours commissioned by these channels across the UK in 2022.

When looking at the makeup of these commissions, we can see from **Figure 8** that commissioning activity in Scotland skews towards non-scripted programming including general factual, specialist factual and factual entertainment, and entertainment programming. Together these four genres accounted for 80 per cent of all commissions examined with Scotland-based labels in 2022.

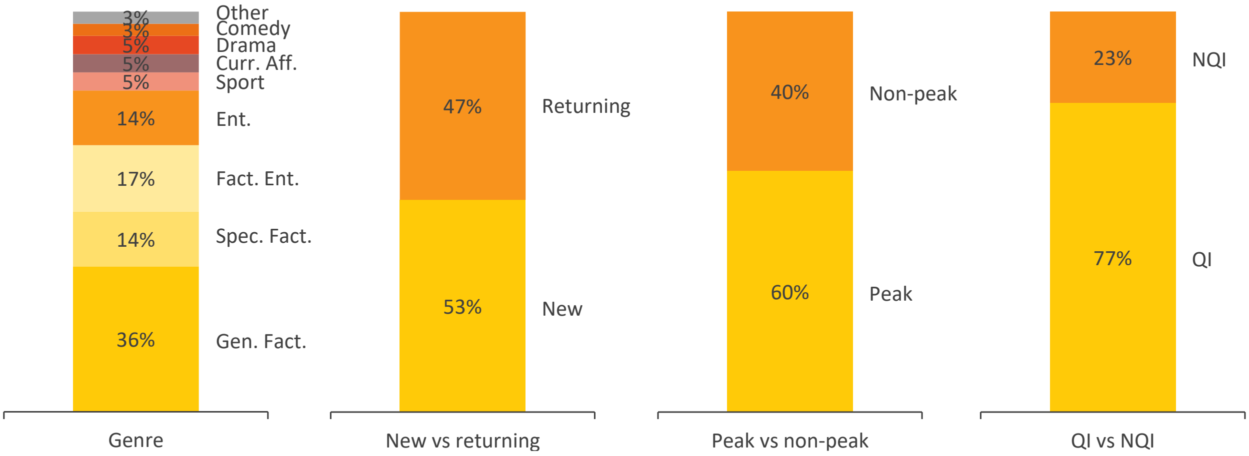
Just over half of the commissions from production companies based in Scotland were new programmes in 2022, with returning titles accounting for 47 per cent; this suggests a market in which there are plenty of opportunities for producers to win new commissions each year. Whilst having avenues to get new work is essential to the market, balancing this with a meaningful level of returning commissions each year supports the long-term sustainability of production companies. Companies which secure returning series have a base of guaranteed income upon which they can look to grow their business.

'Securing returning series is always the dream for producers. It allows you to grow and focus on winning new work'

Factual producer, Glasgow

[15] Unless stated otherwise, for the purposes of this report this includes the main PSB channels BBC One, BBC Two, ITV, Channel 4 and Channel 5, which are the main commissioning channels. The BBC and commercial PSB portfolio channels are also responsible for some commissions in Scotland, such as CBeebies and More 4.

Figure 8: Number of PSB Network commissions with Scotland-based production companies, by type, 2022

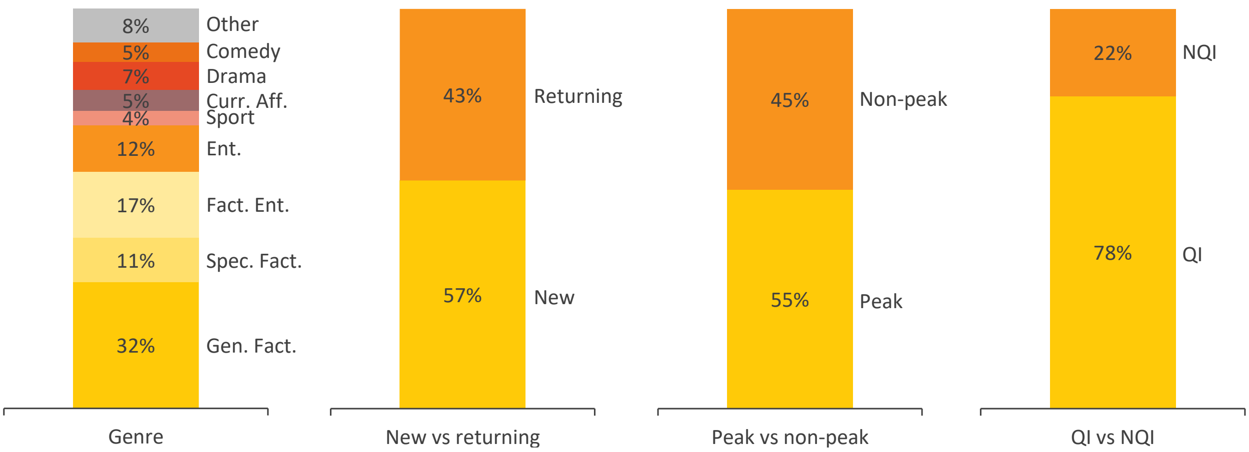


Source: O&O Programme Database, Oliver & Ohlbaum analysis

Most of these commissioned programmes were produced by qualifying independent production companies with a substantive base in Scotland, while non-qualifying independent production companies, including broadcaster-owned studios, accounted for 23 per cent of all commissions in 2022 (by number of commissions).

When comparing this commissioning activity to the overall landscape of the UK for the same channels, as seen in **Figure 9**, Scotland broadly follows the trends observed across the whole country, particularly the levels of new and returning commissions and the proportion produced by qualifying independent production companies.

Figure 9: Number of PSB Network commissions with UK production companies, 2022



Note: Other includes arts & classical music, children's, education, religious & ethics and film
Source: O&O Programme Database, Oliver & Ohlbaum analysis

In terms of the genre mix, the overall picture for the UK is slightly more varied than that of Scotland. Whilst factual and entertainment programming accounts for most commissions in the UK it is lower than in Scotland, at 71 per cent compared to 80 per cent. There is a proportionately slightly higher number of commissions in certain genres at a UK-level than in Scotland such as children's (included here in 'Other') and drama (7 per cent UK compared to 5 per cent Scotland).

The decrease in commissioning activity from the PSBs, particularly the BBC's reduction in originated hours and Channel 4's recent commissioning freeze, is coming together with a wider industry trend of polarisation in content spend, where content commissioners reprioritise spend to fewer high value originations plus lower budget content. This could affect Scotland to a greater degree than other parts of the UK to the extent that it is recognised as a leading producer of daytime factual and factual entertainment genres for both the BBC and C4.

'We will start to see a reduction in the high-volume daytime strands which are Scotland's bread and butter'

Entertainment producer, Glasgow

This concern has been raised by the sector, with several industry stakeholders we interviewed highlighting the potential negative impact of cuts to higher volume, lower budget daytime factual commissions in Scotland.

3.2 Commissioning in Scotland is shared across different types of producers

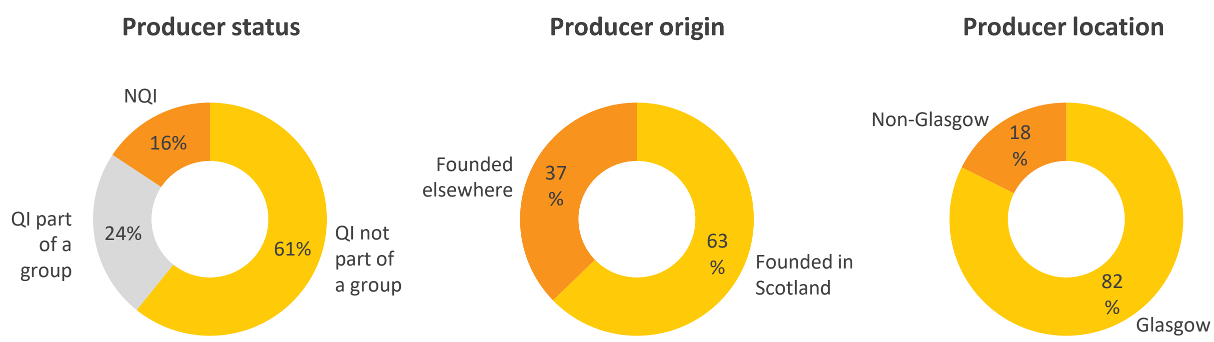
Scotland is home to a vibrant production sector with a range of companies producing programming across a variety of genres. As outlined earlier, the focus of this study has been an analysis of PSB Network main channel commissions with production companies based in Scotland; based on this analysis, we estimate that in 2022, there were 51 active companies that had received at least one such PSB Network commission since 2014. These include companies that were founded in Scotland as well as satellite offices opened by companies headquartered elsewhere in the UK or overseas.

3.2.1 The majority of production companies are qualifying independents founded in Scotland

As **Figure 10** shows, of these 51 companies, over 80 per cent are qualifying independents (QI), i.e. without significant investment from a UK broadcaster. The vast majority of these are not part of a larger group of companies; just under one quarter of the Scottish production sector is made up of qualifying independents that are part of a larger group, such as IWC Media in Glasgow, which is part of Banijay.

Figure 10: Scotland-based companies with at least one PSB Network commission since 2014, by type in 2022

Number of active production companies: 51



Note: These include companies founded in Scotland as well as companies founded elsewhere that have opened offices in Scotland
Source: O&O Programme Database, Oliver & Ohlbaum analysis

In 2022, as Figure 10 shows, around 63 per cent of the production companies we analysed were founded in Scotland, such as Firecrest and Raise the Roof Productions. 37 per cent are companies that were originally founded elsewhere and have opened an office in Scotland; this includes companies such as Lion TV, part of All3Media, and Mentorn, part of Tinopolis.

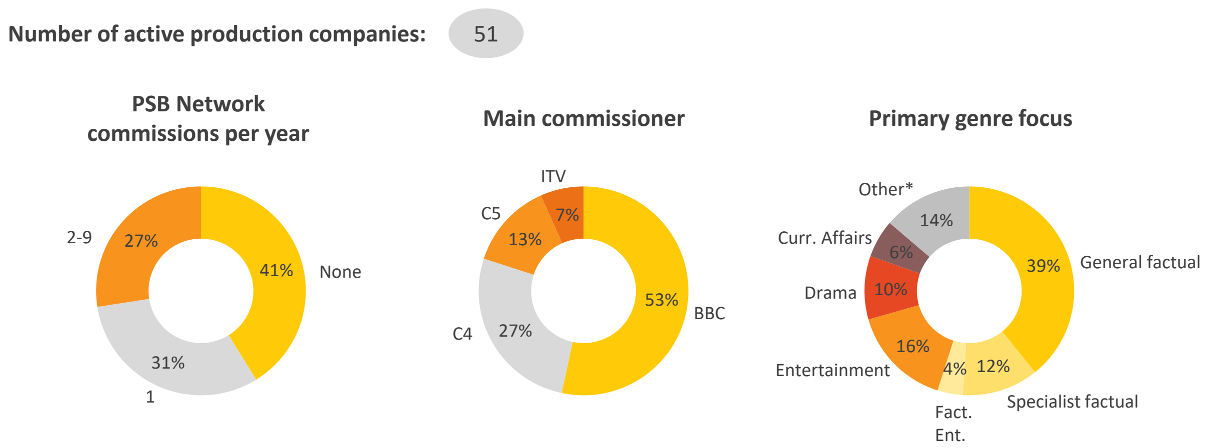
Most of the production sector in Scotland is centred in Glasgow, with the city having developed over the past twenty years into one of the UK's largest production hubs outside London. The PSB quotas and terms of trade flowing from the Communications Act will have played a part in this, alongside the BBC and Channel 4's own strategies to reflect and serve all audiences, and a wider industrial policy focus on growing the creative industries across the UK.

3.2.2 Factual programming is the primary genre focus of most producers based in Scotland

As can be seen in **Figure 11**, 58 per cent of active Scottish-based companies received at least one PSB Network commission in 2022. Breaking down this commissioning activity further, 31 per cent of companies had one PSB Network commission in 2022, while a further 27 per cent had between two and nine.

The remaining 41 per cent of companies received no PSB Network commissions in 2022, 71 per cent of which were companies with an HQ in Scotland as opposed to a branch office only. This does not necessarily mean that these companies were inactive. This segment includes companies that have had commissions from other types of broadcaster/VOD service in that year (e.g. for a PSB portfolio channel, a UK multichannel, a non-UK broadcaster or an SVOD service), as well as companies that were in production in 2022, and those that were active at some point over the period but not in 2022.

Figure 11: Scotland-based companies with at least one PSB Network commission since 2014, by activity in 2022



*Note: *'Other' includes Arts & Classical music, Comedy, Films, Religious & Ethics, Sport*
Source: O&O Programme Database, Oliver & Ohlbaum analysis

The BBC was the main PSB customer for 53 per cent of Scottish based companies in 2022, with Channel 4 the main commissioner for 27 per cent, while Channel 5 and ITV made up the smallest segment, representing the main customer for 13 and 7 per cent each.

When looking at the main genre focus of these companies, more than half are primarily factual producers, with general factual the largest single genre at 39 per cent. The next most represented genres include entertainment at 16 per cent, specialist factual at 12 per cent and drama at 10 per cent.

3.3 The makeup of Scottish TV production staff and talent has evolved

To understand the impact that Communications Act 2003 had on Scottish TV production, we undertook seven semi-structured interviews with industry stakeholders, including academics and several TV producers based in Scotland. We also interviewed Ofcom Scotland and Screen Scotland for context.

After being asked about the organisation they work in and their role, we asked the producers and academics about the perceived health of the industry, the commissioning landscape and off-screen talent in the sector, as relevant to each interviewee. This subsection uses data gathered from the interviews. Key themes raised in the interviews were the role of 'lift and shift' as a means of increasing production hours and spend in Scotland, the economic and cultural aspects of Scottish productions, talent development, commissioning practices, and the role of freelancers. We summarise the main points made below, and then consider some of the points in more depth.

Key themes raised in stakeholder interviews:

- ***Decentralisation and lift and shift***: Amongst interviewees, attitudes towards lift and shift were neutral overall, according to how it is done; this was the view from some producers with an HQ or an office in Scotland. Their main concern was whether it benefits the Scottish economy, provides employment for the local workforce and opportunities for the training of Scottish off-screen talent. As long as it encourages London based companies to genuinely invest in Scottish talent, facilities and resources, they found it to be a useful tool as part of the mix
- ***What makes a production Scottish***: Participants highlighted that a production may qualify as Scottish in name under Ofcom's regional production guidance, by having its 'substantive base' in Scotland and 70 per cent production spend or 50 per cent of off-screen talent – 100 per cent of hours and spend are then allocated to Scotland. They emphasised that the important question is the actual level of investment in the Scottish economy and Scottish creative sector, including the use of talent and crew from Scotland
- ***Industry structure and talent development***: Interviewees considered that there is need for off-screen talent development, particularly in the genres that are under resourced in Scotland such as drama, high-end factual and entertainment. It is important to develop a diversified industry capable of supporting a variety of genres, including high-budget dramas, to ensure stability and growth. Scotland is well-resourced for the production of factual entertainment and children's programmes, however, with PSBs' new strategies of 'fewer, bigger, better,' those genres have experienced a reduction in commissioning, without significant rebalancing from the PSBs to develop or expand capacity in those genres they are now focused upon
- ***Commissioning practices and financial viability***: We heard that the decrease in traditional TV advertising revenue is impacting the financial viability of productions, and especially affecting smaller producers. This is not compensated by SVOD commissioning because the number of commissions is much lower and activity is periodic. There is need for a strategic approach to commissioning that supports Scotland-originated content, authentic representation, and the creation of returnable formats with international appeal from within Scotland to ensure stability during downturns in commissioning in the UK. London remains the working location of the majority of individual genre commissioners and commissioning decision makers and interviewees said this inhibits sector development across the UK
- ***Freelancer experience and industry reliance***: Due to the project-based nature of the production industry, production companies maintain a low number of permanent staff members and hire freelancers as necessary. As a result, freelancers are very important to the success of the sector but can experience job insecurity as demand fluctuates and shifts between genres. However, interviewees said there is a need for better data to fully understand freelancers' experiences and needs

3.3.1 The development of Scottish production talent relies on the ability to retain talent in Scotland

The sector in Scotland has grown considerably in recent years, with new opportunities and development pathways laying the foundations for the full-time equivalent workforce to surpass 10,000 in 2021.

Historically, there have been issues not just in Scotland but across the Nations & Regions around talent retention, with London often acting as a major draw for production sector employees, due to the number and variety of opportunities and the higher share of spend within the M25. Growth in production activity in Scotland and the development of Glasgow into a major production hub has, however, enabled the sector to flourish in recent years. Interviewees mentioned the importance of Pacific Quay, BBC Scotland's TV and radio studio complex. Other examples include historical drama Outlander's arrival at Wardpark Film and Television Studios in Cumbernauld (Starz/Sony Pictures Television/Left Bank). There is also Pyramids Business Park in Bathgate (Good Omens (BBC Studios/Amazon Studios) and First Stage in Leith, a production facility with several studios and workshops where The Rig was filmed (Amazon Studios).

Concerns remained among the producers we interviewed over future prospects for talent, in particular freelancers, with the UK as a whole experiencing a slowdown in commissioning activity. Producers agreed that the development of Scottish off-screen talent requires a cohesive system that includes long running productions, educational institutions and industry stakeholders to create a well-functioning talent pipeline.

The "lift and shift" strategy has been an important tool for decentralising talent development from London by relocating entire projects to Scotland, however, it has also perpetuated patterns of London-to-London commissions that have enabled broadcasters to meet Scottish production quotas without commissioning from production companies that originate from Scotland. While off-screen talent was often included in relocations in the early days, there have been increasing efforts to source and grow off-screen talent within Scotland when relocating projects, although senior editorial and production roles within lift and shift projects are still often held by sector works based outside of Scotland. This has helped to diversify the local workforce through direct training opportunities and the opportunity for people to 'cut their teeth' on new titles. Producers also highlighted the importance of strategic planning to reduce reliance on external talent over time, thus expanding the industry and reducing the climate impacts incurred by the movement of crew around the UK. The health and expansion of the entire Scottish industry are crucial for the success of individual studios, as this ecosystem allows junior talent to develop and meet the crew needs of both PSB projects and inward investment productions of scale.

> 'If there are more companies and studios in Scotland then there are more opportunities for training and skills. We want to give young people of all ages the opportunity to enter the industry'
>
> *Sueann Rochester & Ken Anderson, Wild Child Animation*

It is widely acknowledged that to cultivate a skilled talent pool, long running projects must contribute to training and upskilling efforts and many producers interviewed said they have a responsibility to grow local talent. Nonetheless, these programmes often target more junior team members, and the availability of subsequent, more senior, positions can fluctuate; a lack of commissions can leave newly trained individuals without immediate opportunities.

Despite the current industry challenges, there is an optimistic outlook for sustaining careers within Scotland, thanks to the expanding infrastructure and opportunities for talent development. This is particularly the case for high end TV drama and inward investment film production, given the trend for PSBs to refocus investment from factual and daytime TV productions towards higher end scripted.

3.3.2 The sector relies on off-screen freelance talent, but this is being affected by changes in commissioning patterns

As the production sector is project based, production companies often maintain a smaller core team of permanent staff and expand to meet their needs during production by hiring freelancers.

By its nature, freelance employment is exposed to periods of contraction in commissioning and to changes in the make-up of commissions, as well as periods of expansion such as the recent 'boom' in content investment. As mentioned, we are currently seeing a global slowdown in commissions. In addition, PSBs are moving towards commissioning a lower share of factual and factual entertainment productions, especially lower budget strands. Scotland has become a hub for such factual content production throughout the twenty years since 2003; supporting HETV productions requires a different skill mix.

'It would be good to have more knowledge of the freelance sector to develop further protections and foster inclusivity'

Lisa Kelly, University of Glasgow & Katherine Champion, University of Stirling

Interviewees were concerned that there is a risk that if an increasing number of people feel freelance production work is not viable in Scotland, they might leave the industry or relocate. This might especially affect people who are already underrepresented in the sector, such as those from lower socioeconomic backgrounds who need greater consistency in income.

Related to this, some interviewees observed that a production can qualify as made in Scotland through its 'substantive base' – the whole of the production hours and spend are then allocated to Scotland, even if the production spend and off-screen talent criteria have been met in other Nations or Regions. They emphasised that the important question is the actual level of investment in the Scottish economy and Scottish creative sector and considered that a review of this commissioning approach was important.

3.3.3 Some Scottish production companies base their development teams in London

'The best development people have worked at a wide range of companies and worked in different genres - and you can do that much more easily in London'

Factual producer, Glasgow

Development teams create the concept for TV shows and prepare them to be sold to broadcaster/platform commissioners. Of the producers we interviewed, some companies with a Scottish HQ or with an office in Scotland said they choose to base some members of their development teams in London. This was so that their teams can be closer to individual genre commissioners and they can hire staff with varied experience. Being closer to commissioners was considered advantageous because it makes it easier to build relationships with them to develop and sell shows, although one producer noted that this made it more difficult for Scottish producers to drive their own creative ideas and success as they are dependant on a handover from a London development team. Although it has a similar genre mix to the UK as a whole, Scotland has fewer production companies than London and so, for development team members, there are fewer opportunities to develop their network and gain experience. One producer noted that, when starting out, a few years' experience in London gives the opportunity to work for a range of companies, in different genres, for different teams and to make the most of the dynamism, versality and ambition.

4 How the Scottish production sector has evolved over the past two decades

In this part of the report, we look at how the production sector in Scotland has evolved over the last 20 years. We will begin by examining trends in investment in external originations in Scotland, meaning spend on commissions by a broadcaster or VOD service from an independent production company or from another broadcaster/ VOD service's own studio. We will consider the trends for producers with an HQ in Scotland compared to producers with a branch office in Scotland later in this part.

4.1 Originations spend in Scotland has grown with the makeup of buyers evolving

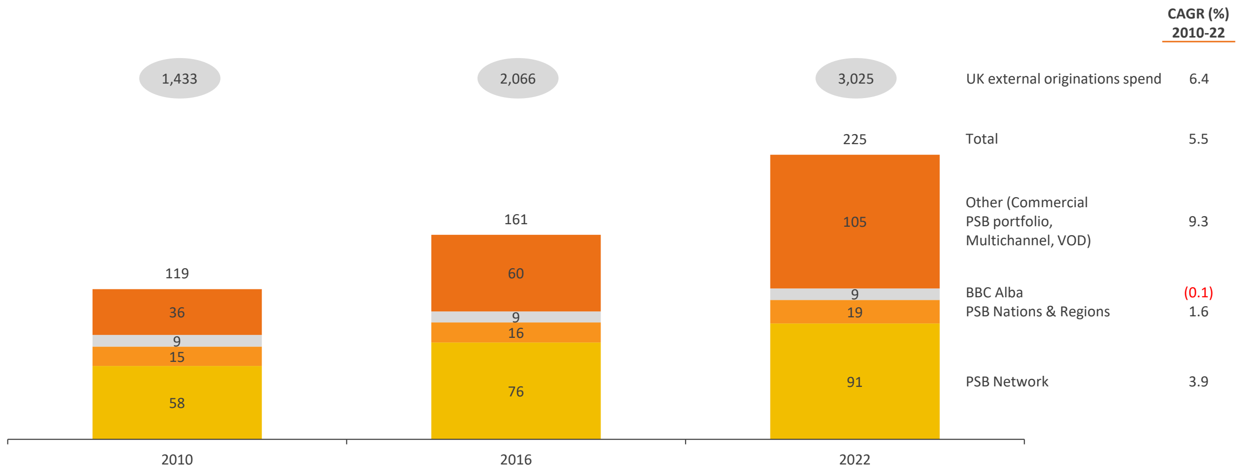
The commissioning landscape for Scotland has evolved significantly over the past 20 years, with a growing segment of external originations spend coming from new channels and players such as domestic commercial multichannel services and global SVOD players. External originations spend means spend on commissions by a broadcaster or VOD service from any production company that is not the commissioner's own in-house or commercial subsidiary studio. While there has been change in the sector, particularly with international entrants, the PSBs are still responsible for a major share of spending. Performance for the BBC and Channel 4 is generally close to their Scotland or MoE commissioning quotas, respectively[16]. In addition to UK PSB Network spending, local PSB services with their own content budgets dedicated to Scottish viewers include BBC Alba, launched in 2008 and BBC Scotland, launched in 2019, as well as STV. Meanwhile the BBC and to some extent Channel 4 have relocated several genre commissioners to Scotland. Taken together this demonstrates that there is a long-term commitment of the PSBs to nurturing the creative sectors in the Nations & Regions, underpinned by the Communications Act 2003, and the requirements and obligations that flowed from that Act.

4.1.1 External originations spend rose at an annual average rate of 5.5 per cent from 2010 to 2022

As shown in **Figure 12**, total external originations spend in the Scottish sector is estimated to have risen from £119 million in 2010 to £225 million in 2022, an increase of 89 per cent. Much of this growth has been driven by an increase in commissioning spend from commercial PSB portfolio channels, multichannels and international customers including SVOD services. This spend rose by an annual average rate of 9.3 per cent between 2010 and 2022, to surpass £100 million.

[16] Ofcom, 'PSB Annual Compliance Report 2023', nation specific production spend

Figure 12: Estimated Scotland external originations spend by type, 2010-22 (£m)



Note: For the purposes of this chart, PSB Network includes BBC One, BBC Two, BBC Portfolio channels, ITV, Channel 4 and Channel 5. PSB Nations & Regions includes spend from BBC Scotland and STV
Source: company annual reports, Ofcom CMR, Ofcom PSB Annual report, Ofcom Media Nations report, Ofcom PSB Compliance report, Pact UK Television Production Census, Oliver & Ohlbaum analysis

Despite the sector in Scotland experiencing strong growth in spending since 2010, it grew at a slower rate than that of the UK overall, at 5.5 per cent per year compared to 6.4 per cent for the UK. Scotland's share of total external originations spend in the UK declined from 8.3 per cent to 7.4 per cent, with spending elsewhere in the UK rising at a faster rate.

4.1.2 Despite change in the makeup of buyers, PSB commissioning remains vital to Scotland

While there has been a change in the sources of commissions over time, PSB Network spending has long been integral to supporting the Scottish TV production sector. In 2010, PSB Network spend accounted for 49 per cent of all external originations, and while this dropped to 41 per cent by 2022, it remains the largest single segment of external commissioning spend in the market at £91 million, as illustrated in **Figure 12**. This spend compares favourably to the £29 million spent on external PSB Network originations in 2004, which when adjusted for inflation amounts to around £46 million in 2022 figures. As mentioned in the previous part, the quotas introduced following the Communications Act 2003 will have underpinned this,[17] together with the subsequent steps to adopt Nations-specific quotas by the BBC and a MoE quota for Channel 4. BBC and Channel 4 strategies to reflect and serve all audiences, and industrial policy initiatives to grow the creative industries in Scotland, are also relevant.

Although spending from BBC Alba, BBC Scotland and STV has experienced relatively low growth since 2010 and represents a relatively targeted opportunity for producers in Scotland, it remains an important segment of the market, more often targeted towards companies formed in Scotland than those who originated elsewhere. Together with PSB Network, this segment represents reliable buyers of content that can provide a level of financial predictability in the market. This stability is vital for Scotland-formed production companies looking to grow and to navigate the evolving landscape.

The increasing variety of content commissioners over the period indicates a healthy and growing market which has been able to support a diverse range of production companies. Being able to diversify revenue streams and attract new business is crucial for production companies; several industry stakeholders we interviewed highlighted the potential risks of being reliant on only one commissioner or type of commissioner while noting that companies that

[17] Television Production Sector Review, A survey of TV programme production in the UK, Ofcom September 2005

diversify and have an international outlook, securing commissions from a mix of the PSBs and multichannels or global SVODs, were more likely to be sustainable in the long-run.

4.2 Commissioning activity in Scotland has risen over the past 20 years

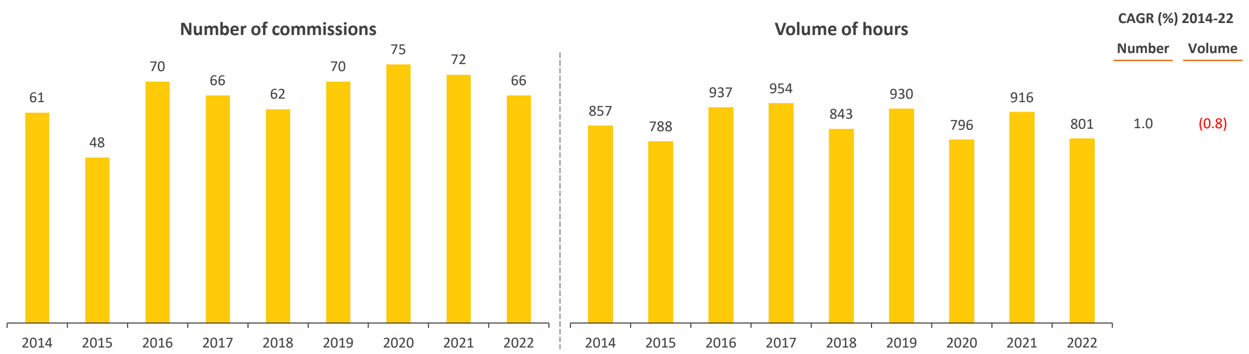
Over the past 20 years, the production sector in Scotland has experienced an increase in commissioning activity with, as outlined earlier, diversification in the pool of content buyers opening more opportunities for producers.

4.2.1 The PSBs have maintained a healthy level of commissioning in Scotland

Scotland has seen strong growth in the level of commissioning over the past two decades. PSB Network main channel external originations amounted to around 180 hours of programming in 2004 and subsequently rose at an annual average rate of 8.7 per cent over the period to 2022, reaching 801 hours.[18] In this time, Scotland has developed into a major production centre for factual and entertainment content with these genres counting for almost 80 per cent of such commissions in 2022, as illustrated earlier in Figure 11.

Focusing in on the more recent period from 2014 to 2022, as illustrated in **Figure 13**, total external PSB Network commissioning activity in Scotland continued to rise steadily. While there is some natural fluctuation in the level of commissioning activity between years, production companies based in Scotland secured 66 PSB Network main channel commissions in 2022, up from 61 in 2014.

Figure 13: External PSB Network originations activity with Scotland-based companies, 2014-22



Source: O&O Programme Database, Oliver & Ohlbaum analysis

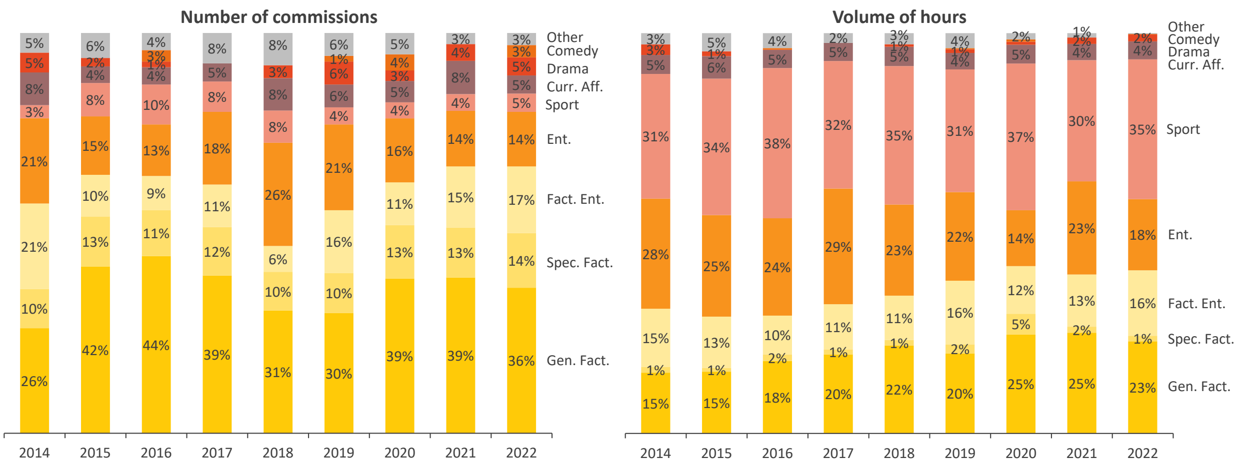
In 2022, we estimate that such external PSB Network originations produced by Scotland-based companies amounted to 801 hours of programming and as shown in **Figure 12**, down slightly at an annual average rate of 0.8 per cent from 2014.

4.2.2 The breakdown of commissioning activity has remained broadly stable in recent years

Looking at how the genre mix of these commissions has evolved over time, **Figure 14** shows that the overall makeup has remained relatively stable, with factual and entertainment programming accounting for between 73 per cent and 81 per cent of commissions each year from 2014 to 2022. The most notable difference is seen in scripted content's share of commissions, rising from around 5 per cent in 2014 to 8 per cent in 2022.

[18] The production trend report for out of London, Pact 2007

Figure 14: External PSB Network commissions with Scotland-based companies by genre, 2014-22



Note: Other includes arts & classical music, religious & ethics and film
Source: O&O Programme Database, Oliver & Ohlbaum analysis

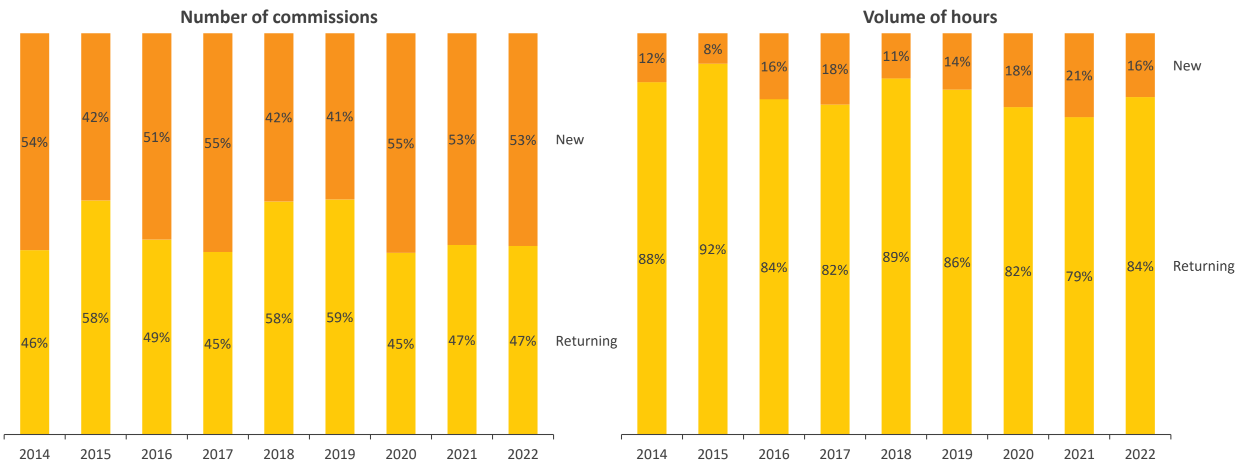
When assessing the makeup of the volume of hours over time, the genre mix has remained broadly stable with factual and entertainment remaining the largest segments over the period. This is perhaps to be expected given the reputation Scotland has built over the past two decades as one of the UK's leading producers of factual and entertainment content, with notable strands such as *Location*, *Location, Location* produced by IWC Media, *Catchphrase* produced by STV Studios and *Money for Nothing* produced by Friel Kean Films.

Whilst sports programming has consistently accounted for one of the smallest shares of all commissions, it represents one of the largest genres in terms of hours in Scotland. The vast majority of this programming comprises coverage of various snooker competitions produced by IMG, with a few other sports strands produced by Sunset + Vine; both of these companies originated outside of Scotland. As noted before, where a production has a 'substantive base' in Scotland, under Ofcom's regional production and programme guidance the spend and hours may be fully allocated to Scotland, even where the production spend and off-screen talent criteria have been met in other Nations or Regions of the UK. Programmes using the 'substantive base' rule include IMG's coverage of the *Snooker: Masters/World Championships/UK Championships* in 2022 (130 episodes in 2022) and Sunset + Vine's coverage of the *Bowls: World Championships* in 2022 (7 episodes).

Overall, Scotland tracks the trend observed at a UK level, where the PSBs typically commission more non-scripted programming than scripted programming; this has particularly been seen since the emergence of global SVODs as major commissioners of high-end scripted programming from UK producers. To differentiate themselves, the UK PSBs typically now commission fewer, higher quality scripted programmes which aim to reflect the diversity of UK culture and daily life. Scripted programmes tend to carry a higher cost per hour production value compared to non-scripted genres.

As seen in **Figure 15**, while new strands accounted for a small majority of commissions over the period, they made up a relatively small share of hours. New programming's share of commissioned hours increased steadily over the period, up from 12 per cent in 2014 to 16 per cent of hours in 2022.

Figure 15: External PSB Network commissions with Scotland-based companies by status, 2014-22

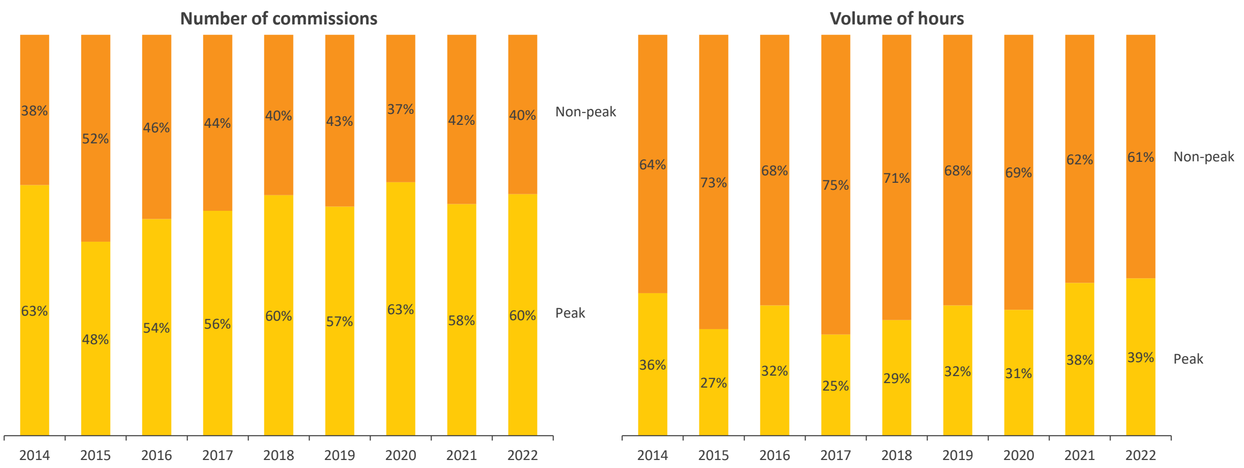


Source: O&O Programme Database, Oliver & Ohlbaum analysis

Returning commissions represent the foundations of the sector in Scotland, accounting for almost half of commissioned titles between 2014 and 2022 but making up an average of 85 per cent of hours over the period – suggesting that many of these are multi-episode series. This high level of returning commissions is reflective of the trend seen at a UK level, with returning titles accounting for 43 per cent of commissions (see Figure 8) and provides the sector in Scotland with a relatively stable pipeline of activity.

When examining the trend in commissions by daypart over the period, **Figure 16** shows that peak time commissions accounted for the majority of titles in each year, yet as expected accounted for a smaller proportion of hours. The share of peak time hours increased from 36 per cent in 2014 to 39 per cent in 2022.

Figure 16: External PSB Network commissions with Scotland-based companies by daypart, 2014-22



Source: O&O Programme Database, Oliver & Ohlbaum analysis

An increase in the volume of peak time hours represents a positive development as these types of commissions typically carry a much higher cost per hour than those produced for non-peak slots. This is especially true of genres such as drama and specialist factual whose share of these commissions has also increased over the period; these genres are often disproportionately valuable to broadcasters in attracting high viewership for relatively few hours of output.

4.3 The makeup of production companies in Scotland has evolved

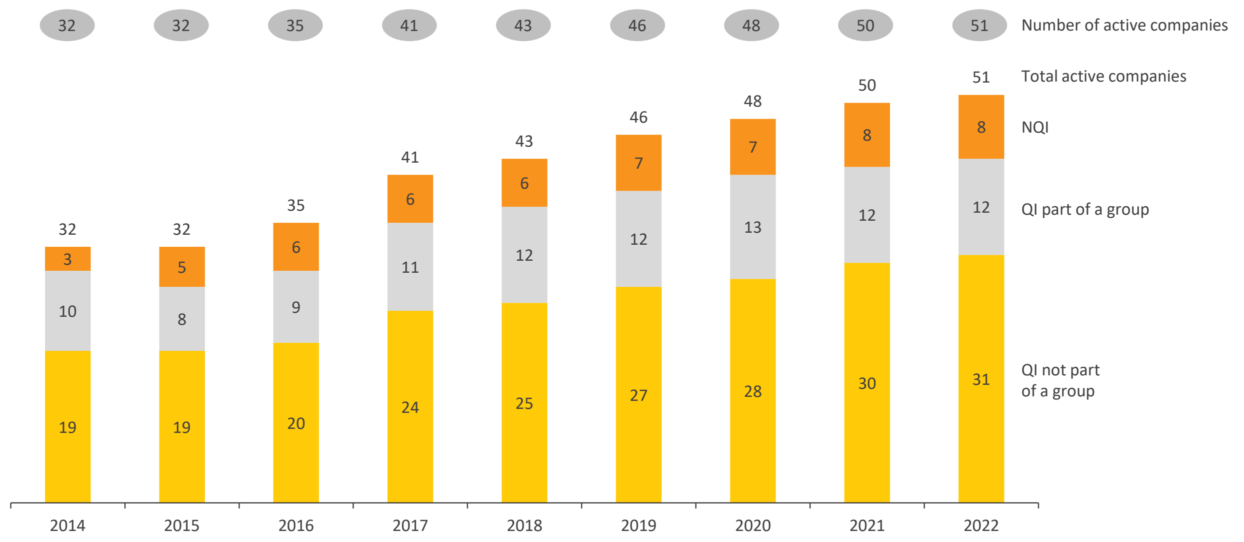
The production sector in Scotland has evolved significantly, with the sector benefiting from investment in infrastructure and facilities such as Pacific Quay by the BBC and STV, the launch of Channel 4's Creative Hub and the relocation of some daytime and factual commissioners to Glasgow, as well as the opening of studio spaces such as BBC Studioworks Kelvin Hall. These have all contributed to Scotland developing into a major producer of factual and entertainment programming, with Glasgow becoming one of the UK's leading production hubs. Drama and high-end TV is also relevant, with PSB commissions and inward investment at major studios such as Pyramids Business Park in Bathgate, Wardpark in Cumbernauld and FirstStage in Leith.

These developments have enabled the sector to grow and the makeup of production companies to evolve over the past 20 years, helping to make the community more diverse and focused on serving both domestic and international audiences and content buyers.

4.3.1 The makeup of the production sector in Scotland has changed steadily in recent years

The number of active production companies in Scotland has risen steadily since 2014. As shown in **Figure 17**, we estimate that the number of companies rose from 32 in 2014 to 51 in 2022, an uplift of 59 per cent. Much of this growth has come through an increase in the number of qualifying independents.

Figure 17: Active Scotland-based companies, by status, 2014-22



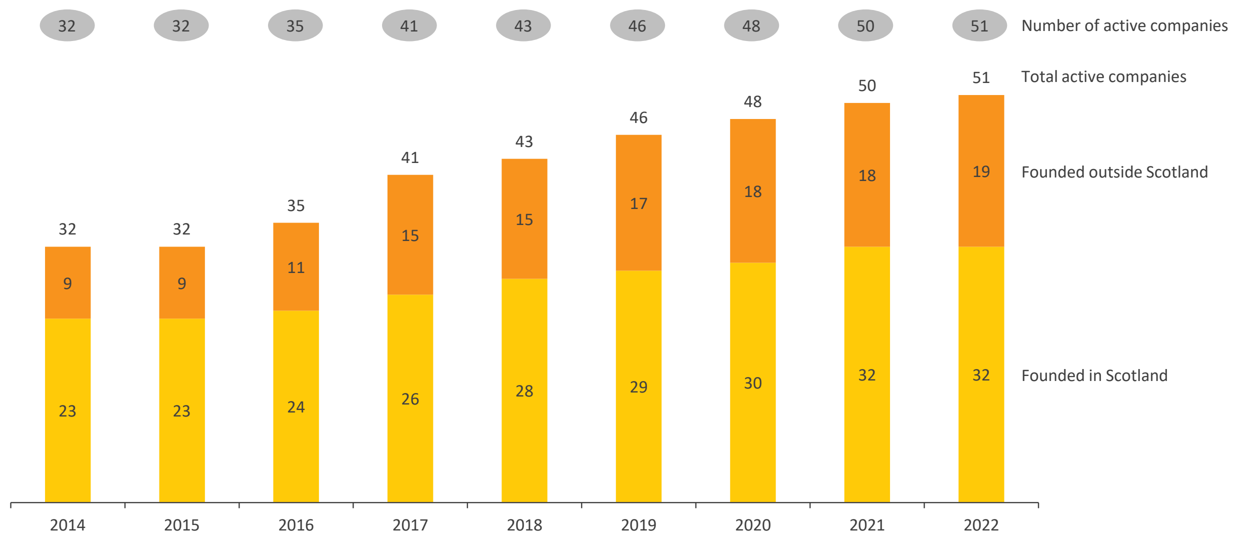
Source: O&O Programme Database, Oliver & Ohlbaum analysis

There has also been a fluctuation in the number of NQIs over the period, which can largely be attributed to M&A activity and sector consolidation. Producers pursue inorganic growth to achieve scale, diversify their content library and client list, and access new business opportunities whether in other genres, other markets, or associated activities such as distribution. Although M&A activity often involves companies of all types and sizes, much of the significant change in the sector in recent years has been driven by the sector's largest companies. Notable examples of this activity in Scotland include IWC's acquisition by RDF Media in 2005 (now part of Banijay), Tern TV's acquisition by Zinc Media in 2017, and more recently STV Studios' acquisition of Greenbird Media and majority stake in Two Cities. This M&A activity sparks a dynamic cycle of 'creative renewal' in the sector, with new entrants continuing to join the market and smaller producers growing and being acquired by larger producers and groups.

Further change in the makeup of producers in Scotland can be seen when looking at where companies originated. As illustrated in **Figure 18**, most companies in the sector were founded in Scotland and this has grown from 23 in

2014 to 32 in 2022. Because the total number of companies has also grown, between 2014 and 2022, the proportion of companies originating in Scotland declined from 72 per cent to 63 per cent. This reflects the trend seen in the wider UK sector in recent years of many larger indies and groups opening offices in the Nations & Regions; recent examples seen in Scotland include the likes of Studio Lambert, which is part of All3Media, and makes *The Traitors* in Scotland for BBC.

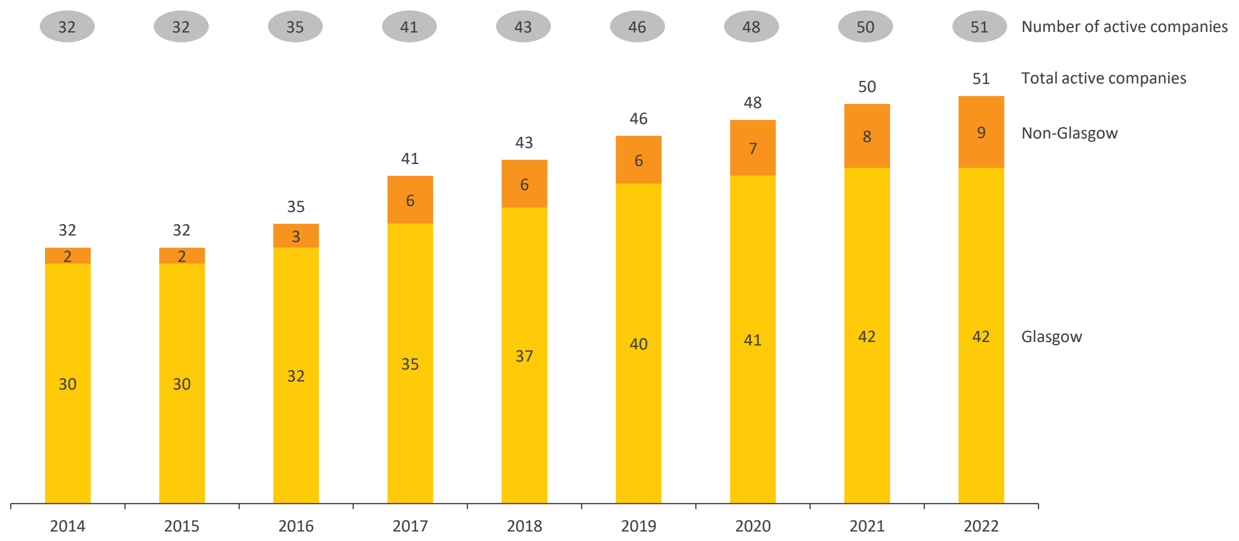
Figure 18: Active Scotland-based companies, by origin, 2014-22



Source: O&O Programme Database, Oliver & Ohlbaum analysis

When looking at producers by location, Glasgow has consistently accounted for the majority of Scottish production companies, as shown in **Figure 19**. Glasgow remains the single largest production hub in Scotland and one of the leading hubs in the UK outside of London. However, in recent years there has been an increase in the proportion of active companies based outside of Glasgow, across Scotland.

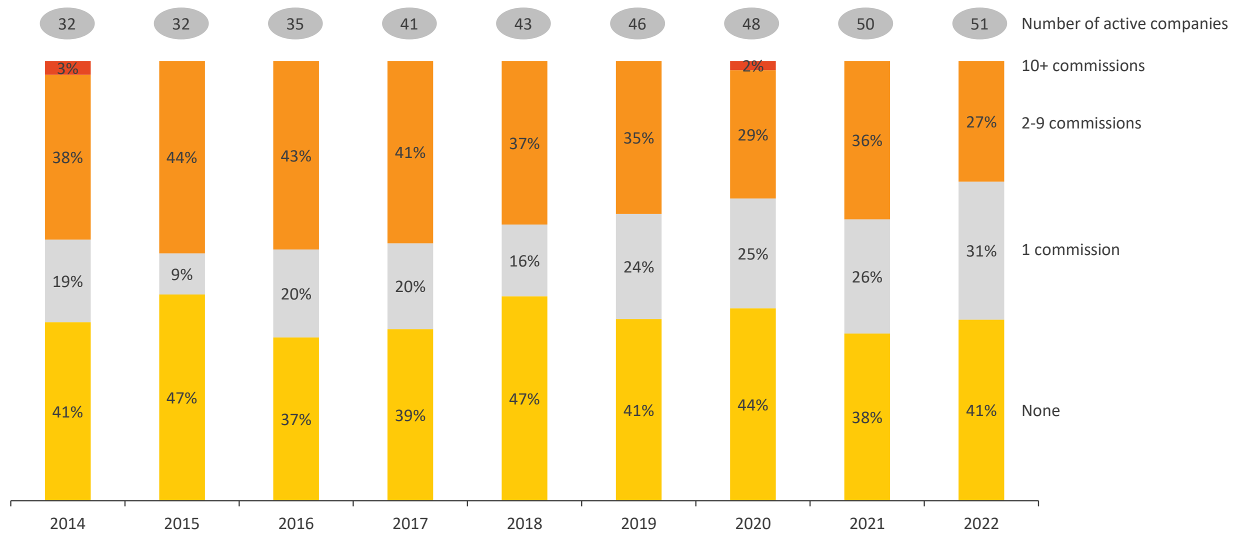
Figure 19: Active Scotland-based companies, by location, 2014-22



Source: O&O Programme Database, Oliver & Ohlbaum analysis

As shown in **Figure 20**, most active Scotland-based companies received at least one PSB Network main channel commission in a given year from 2014, with this proportion remaining stable at 59 per cent in 2022. Within this, the proportion of production companies receiving between two to nine commissions per year decreased significantly, from 38 per cent in 2014 to 27 per cent in 2022, while the share of companies receiving just one such PSB Network commission rose steadily from 19 per cent to 31 per cent.

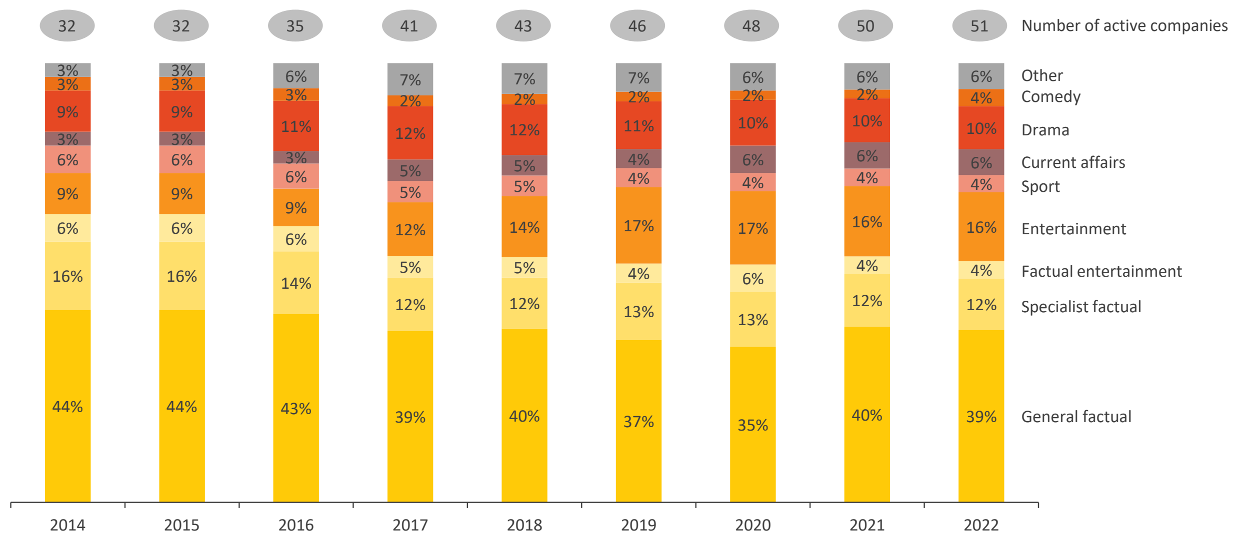
Figure 20: Active Scotland-based companies, by number of PSB Network commissions per year, 2014-22



Source: O&O Programme Database, Oliver & Ohlbaum analysis

As illustrated in **Figure 21**, the majority of active companies in Scotland are focused on producing non-scripted content, with specialisms in both factual and entertainment genres the most prevalent in the market.

Figure 21: Active Scotland-based companies, by genre focus, 2014-22



Note: 'Other' includes arts & classical music, films, religious & ethics
Source: O&O Programme Database, Oliver & Ohlbaum analysis

There is an overarching policy aim to support and strengthen the TV production sector and creative economies of the UK's Nations & Regions, and to ensure that audiences have access to programmes that are relevant to them and the areas in which they live. Over the past 20 years, the emergence of groups and producers of significant scale in Scotland have helped to stimulate growth and creative renewal in the Scottish sector. Such examples include Tern TV, a factual specialist, which expanded its production base beyond Scotland and has since been acquired by Zinc

Media; and STV Studios, which has grown significantly, diversifying its genre focus and customer base to produce for UK PSBs, multichannels and international clients such as Apple TV+.

A notable example from elsewhere in the Nations is Tinopolis, founded in Llanelli, Wales in 1990, which has grown to become one of the UK's largest independent production groups. Tinopolis comprises 13 individual production companies, employs 500 full time staff and generated £236 million in turnover in 2022. Longstanding commissions from UK PSBs have provided Tinopolis with the foundations for success, allowing it to expand and diversify the business to produce content across a range of different genres and in five different production bases across the UK and overseas.

4.4 There are some differences in commissioning activity with Scotland-headquartered producers and producers with branch offices in Scotland

In this section we examine the differences seen in the type and levels of commissioning activity with producers that are headquartered in Scotland and companies which originated elsewhere but have opened a branch office in Scotland.

4.4.1 Examining the top 15 producers of programmes allocated to Scotland by number of episodes, for each year 2014-2022

We have analysed information published in Ofcom's Made Outside London register, which lists the programmes produced for the UK PSB Network channels outside of the M25 and the nation or region in which each programme qualifies. We combined this with data from our in-house O&O Producer Database to determine which production companies produced the most episodes that qualified as Made in Scotland, between 2014 and 2022, for the PSB Network main channels.

For each of the top 15 production companies, we have counted the number of Made in Scotland episodes it produced over this period, stated which broadcaster was the main commissioner of this Made in Scotland programming and calculated the share meeting two or more MOL criteria in Scotland. While we have considered labels of larger production groups individually, including for ITV Studios, we have treated BBC Studios as a single entity.

We also considered how the mixture of companies has changed over 2014 to 2022, determining the Top 15 production companies by number of episodes for each year of the period.

Aggregated performance from 2014 to 2022

As shown in **Table 3**, of the Top 15 Made in Scotland production companies over 2014-2022, fewer were headquartered in Scotland than had an office in Scotland. 7,336 episodes in total were delivered by the Top 15 *Made in Scotland* Producers over 2014 to 2022; of this, 5,319 (73 per cent) of the episodes counted here and set against the Scottish quota were made by production companies based outside of Scotland, with a branch office in Scotland while 2,017 (27 per cent) of the episodes were made by production companies formed and head-quartered in Scotland.

Production companies primarily making sport programming are significantly less likely to fulfil two or more of the Made Outside London criteria in Scotland; 16 per cent of IMG's and 21 per cent of Sunset + Vine's Made in Scotland episodes fulfilled two or more criteria in Scotland.

In practice, 97 per cent of the episodes in the sample were commissioned by the BBC or by Channel 4.

Table 3: Top 15 Made in Scotland producers, by number of episodes, aggregated over the period 2014-2022

	Made in Scotland episodes	Type	Main commissioner	Main strand	Share of episodes fulfilling any two or more criteria*
1. 12 Yard *(part of ITV Studios)*	1165	Office in Scotland	BBC	Eggheads	62%
2. IMG	1066	Office in Scotland	BBC	World Snooker Championship	16%
3. STV Studios	829	HQ in Scotland	BBC	Antiques Road Trip	81%
4. BBC Studios	688	Office in Scotland	BBC	Imagine....	66%
5. Lion Television *(part of All3Media)*	610	Office in Scotland	BBC	Homes Under The Hammer	77%
6. Mentorn *(part of Tinopolis)*	517	Office in Scotland	BBC	Question Time	29%
7. Raise the Roof Productions	438	HQ in Scotland	Channel 4	Kirstie's Handmade Christmas	68%
8. Remarkable Television *(part of Banijay)*	418	Office in Scotland	BBC	Richard Osman's House Of Games	100%
9. Remedy Productions *(part of Argonon)*	383	Office in Scotland	Channel 4	Fifteen To One	46%
10. Friel Kean Films	347	HQ in Scotland	BBC	Money For Nothing	73%
11. IWC Media *(part of Banijay)*	291	HQ in Scotland	Channel 4	Location, Location, Location	73%
12. Mighty Productions	279	Office in Scotland	BBC	!mpossible	63%
13. Firecrest Films	112	HQ in Scotland	Channel 4	Supershoppers	68%
14. Sunset + Vine *(part of Tinopolis)*	103	Office in Scotland	BBC	Bowls World Championships	21%
15. Tuesday's Child	91	Office in Scotland	BBC	The Hit List	99%

Key: HQ in Scotland Office in Scotland

*Notes: *This is the share the Made in Scotland episodes fulfilling two or more criteria of the Made Outside London criteria in Scotland, covering 2019 – 2022 (Ofcom did not publish the individual criteria macro-region prior to 2019). Includes BBC One, BBC Two, ITV, Channel 4 and Channel 5, which are the main PSB commissioning channels*
Sources: Ofcom Made Outside London Register, O&O Programme Database

Trends from 2014 to 2022

The share of the Top 15 producers headquartered in Scotland has increased over time, from four of the 15 producers in 2014 to six of the 15 in 2022 (see **Table 4**). 12 Yard (part of ITV Studios), headquartered outside of Scotland, was top of the list for four consecutive years 2014 – 2017, and now features lower down the list following the move of *Eggheads* production to London, while STV Studios was the best performing company headquartered in Scotland over 2014 – 2022, and was in the top 3 of all companies for almost all years of the period. Companies without a permanent base in Scotland do feature in the individual list for some of the years studied, but do not feature in the overall Top 15 companies for the period.

Table 4: Top 15 Made in Scotland producers, by number of episodes, each year, 2014-2022

	2014	2015	2016	2017	2018	2019	2020	2021	2022
1.	12 Yard	12 Yard	12 Yard	12 Yard	IMG	12 Yard	IMG	Remarkable Television	Remarkable Television
2.	STV Productions	IMG	IMG	IMG	12 Yard	IMG	STV Productions	STV Productions	STV Productions
3.	IMG	STV Productions	STV Productions	Remedy Productions	Mighty Productions	STV Productions	Remarkable Television	IMG	IMG
4.	Mentorn	Lion Television	BBC	Lion Television	BBC	Lion Television	BBC	BBC	BBC
5.	BBC	BBC	Mentorn	BBC	Lion Television	BBC	Mentorn	Lion Television	Lion Television
6.	Raise The Roof Productions	Remedy Productions	Remedy Productions	Mentorn	Friel Kean Films	Mighty Productions	Lion Television	12 Yard	Raise The Roof Productions
7.	Lion Television	Mentorn	Raise The Roof Productions	Mighty Productions	STV Productions	Remarkable Television	Mighty Productions	Raise The Roof Productions	Friel Kean Films
8.	Remedy Productions	Raise The Roof Productions	Lion Television	STV Productions	Mentorn	Mentorn	Raise The Roof Productions	Friel Kean Films	Mentorn
9.	IWC Media	Victory Television	Friel Kean Films	Friel Kean Films	Remedy Productions	Raise The Roof Productions	Friel Kean Films	IWC Media	IWC Media
10.	Shed Media	IWC Media	IWC Media	Raise The Roof Productions	Hindsight Productions	Tuesday's Child	IWC Media	Mentorn	QITV
11.	Tern Television	Friel Kean Films	Sunset + Vine	Tern Television	IWC Media	Friel Kean Films	12 Yard	Objective	12 Yard
12.	Talkback Thames	Shed Media	Firecrest Films	IWC Media	Hello Halo	Remedy Productions	Firecrest Films	Red Sky	Two Rivers Media
13.	Matchlight	Tern Television	Objective	Tiger Aspect Productions	Raise The Roof Productions	IWC Media	Two Rivers Media	Mighty Productions	Ricochet
14.	Silverprint Pictures	Objective	Victory Television	Sunset + Vine	Sunset + Vine	Firecracker	Firecracker	QITV	Tuesday's Child
15.	Clerkenwell Films	Clerkenwell Films	The Comedy Unit	Firecrest Films	Bandicoot	Red Sky	Matchlight	Tuesday's Child	Firecrest Films

Key: HQ in Scotland Office in Scotland No base in Scotland

Sources: Ofcom Made Outside London Register, O&O Programme Database

4.4.2 Comparing all external PSB Network commissions in Scotland in 2014 and 2022

Secondly, we have analysed all external PSB Network main channel commissions in Scotland in 2014 and in 2022 and examined the differences in the type and levels of activity for producers headquartered in Scotland and those that originated elsewhere and have a branch office in Scotland.

Table 5 provides a snapshot of some of the key differences in this PSB Network commissioning activity in Scotland with these two types of companies. It shows that companies originating elsewhere but with a branch office in Scotland typically receive a higher proportion of returning commissions than those headquartered in Scotland, while a higher percentage of commissions with Scotland-headquartered companies are broadcast in peak time. It also highlights how over the period, Scotland-headquartered companies received a higher number of multi-episode commissions than companies with only a branch office in Scotland. However, it is important to note that whilst branch office companies had fewer multi-episode commissions, such commissions made up 79 – 92 per cent of the projects they produced, compared to 46 – 77 per cent of the projects that Scotland-headquartered companies made. We explore these trends in further detail throughout this section of the report.

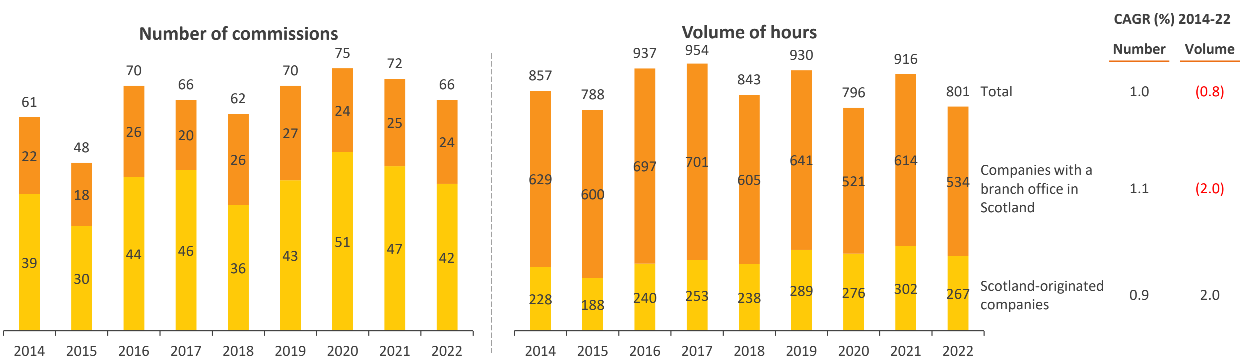
Table 5: Comparison of commissioning activity with Scotland-headquartered production companies and with producers with a branch office in Scotland, 2014 vs 2022

		Scotland HQ		Branch office in Scotland	
		2014	**2022**	**2014**	**2022**
Returning commissions	Number of hours	146.6	172.4	605.6	501.2
	% total hours	64%	65%	96%	94%
Peak commissions	Number of hours	110.3	125.1	166.0	190.4
	% total hours	48%	47%	26%	36%
Drama commissions	Number of hours	3.5	7.8	19.2	5.9
	% total hours	2%	3%	3%	1%
Number of multi-episode commissions	Number of commissions	19	26	18	19
	% total commissions	49%	62%	82%	79%

Source: O&O Producer Database, Oliver & Ohlbaum analysis

There is a difference in the number and volume of such PSB Network commissions produced by producers with a branch office in Scotland and producers with headquarters in Scotland, as demonstrated in **Figure 22**. In 2022, producers with an HQ in Scotland won more commissions (42 compared to 24), but this represented fewer hours (267 hours compared to 534 hours). It is important to consider what commissions generated this difference in hours; much of this is due to sports coverage, where just three commissions from producers with branch offices in Scotland accounted for 280 hours (IMG's snooker coverage and Sunset + Vine's Bowls World Championships coverage), plus seven entertainment commissions from producers with a branch office, accounting for 113 hours (including *The Hit List* produced by Tuesday's Child and *The Masked Singer* produced by Bandicoot/Argonon).

Figure 22: Comparison of external PSB Network originations in Scotland by type of producer, 2014-22

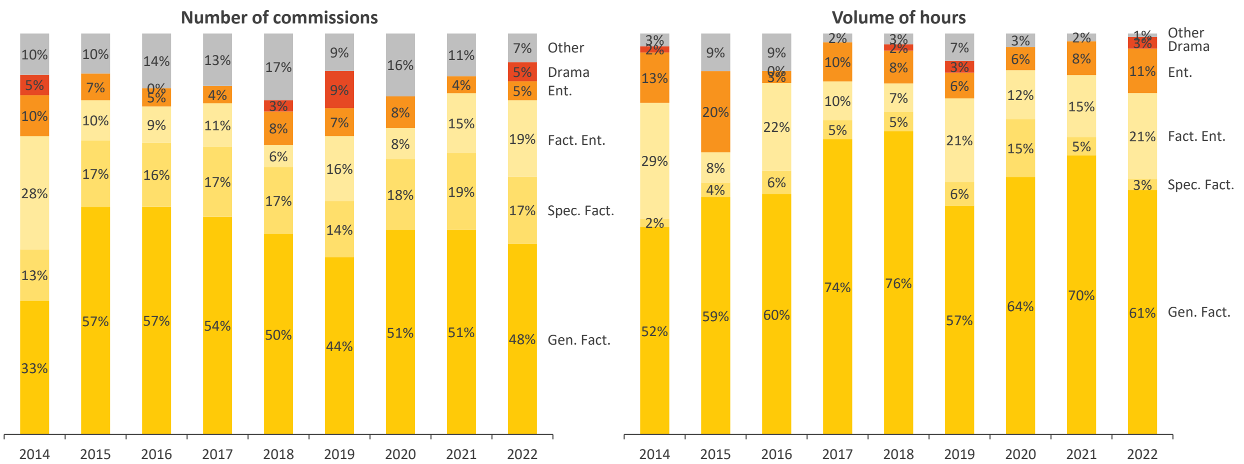


Note: *Includes both companies headquartered in Scotland and those with a local office in Scotland
Source: O&O Programme Database, Oliver & Ohlbaum analysis

As illustrated in **Figure 23** and **Figure 24,** we can look further at the genre mix of commissions for Scotland-headquartered companies compared to producers with a branch office in Scotland. In 2022, factual accounted for 84 per cent of commissions with Scotland-headquartered companies compared to 38 per cent for producers with branch offices in Scotland. This was even more pronounced when looking at hours: factual represented 85 per cent of hours for Scotland-headquartered companies compared to 19 per cent for producers with branch offices in Scotland. This highlights the historic prevalence of factual production in Scotland.

It is worth noting however, that in the high value genre of drama, Scotland-headquartered companies accounted for the majority of activity in 2022, making 67 per cent of drama commissions and 57 per cent of drama hours from Scotland-based producers. Notable examples of these Scotland-headquartered companies include Black Camel Pictures which makes *Annika* for UKTV, STV Studios which makes *Screw* for Channel 4, and Synchronicity Films which made *Mayflies* for BBC.

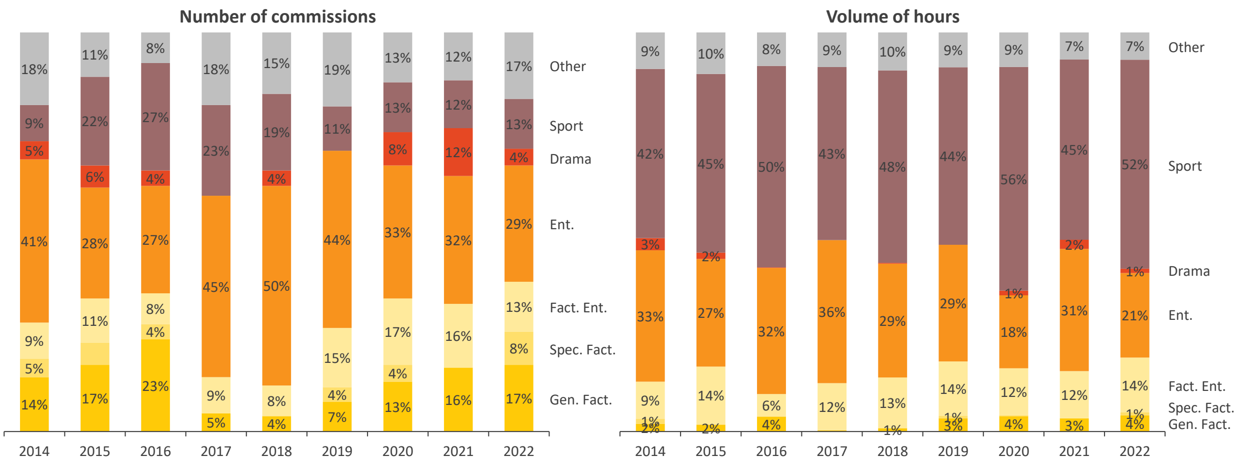
Figure 23: External PSB Network commissions with Scotland-headquartered companies by genre, 2014-22



Note: Other includes arts & classical music, comedy, religious & ethics and film
Source: O&O Programme Database, Oliver & Ohlbaum analysis

For producers with a branch office in Scotland, **Figure 24** shows greater diversification by genre and a higher share of commissions and hours in entertainment, which has the potential to include repeatable formats with international appeal. There has been a change over time in the entertainment genre: in 2014, producers with a branch office in Scotland produced content in the entertainment genre the most, with 41 per cent of their commissions being entertainment and 33 per cent of their hours. By 2022 this had reduced, while the hours produced in sport had grown considerably. In 2014, 42 per cent of the hours produced by companies with a Scotland branch office were in sport and this grew to 52 per cent of hours by 2022. On the other hand, the number of commissions in sport was fairly flat, suggesting that they are producing events with a high volume of hours.

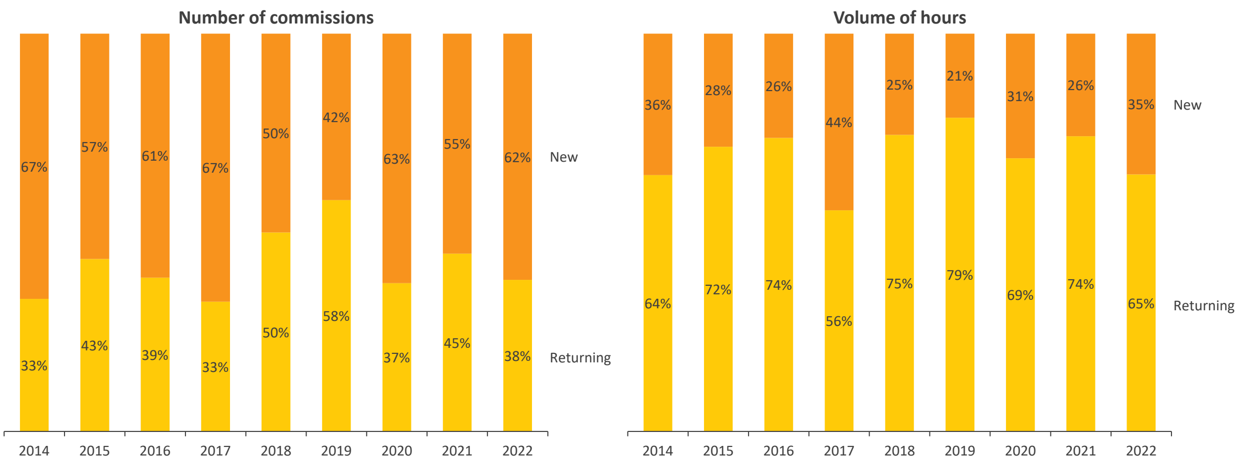
Figure 24: External PSB Network commissions with producers with a branch office in Scotland by genre, 2014-22



Note: Other includes arts & classical music, comedy, religious & ethics and film
Source: O&O Programme Database, Oliver & Ohlbaum analysis

Another point of difference for commissions with Scotland-headquartered companies compared to those with a branch office is the proportion of new and returning commissions each year. Returning series accounted for 38 per cent of commissions and 63 per cent of hours with Scotland-headquartered companies, as shown in **Figure 25**. This suggests these are multi-episode strands, which provide stable income for producers.

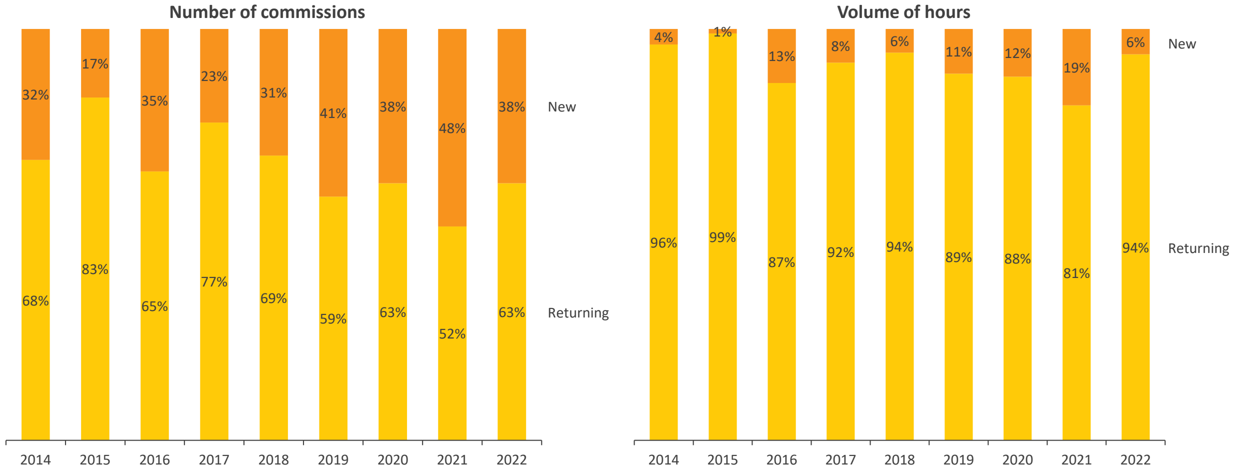
Figure 25: External PSB Network commissions with Scotland-headquartered companies by status, 2014-22



Source: O&O Programme Database, Oliver & Ohlbaum analysis

In contrast, companies with a branch office in Scotland consistently produced a higher number of returning commissions than new commissions and, in particular, a very high number of hours were returning, as demonstrated in **Figure 26**.

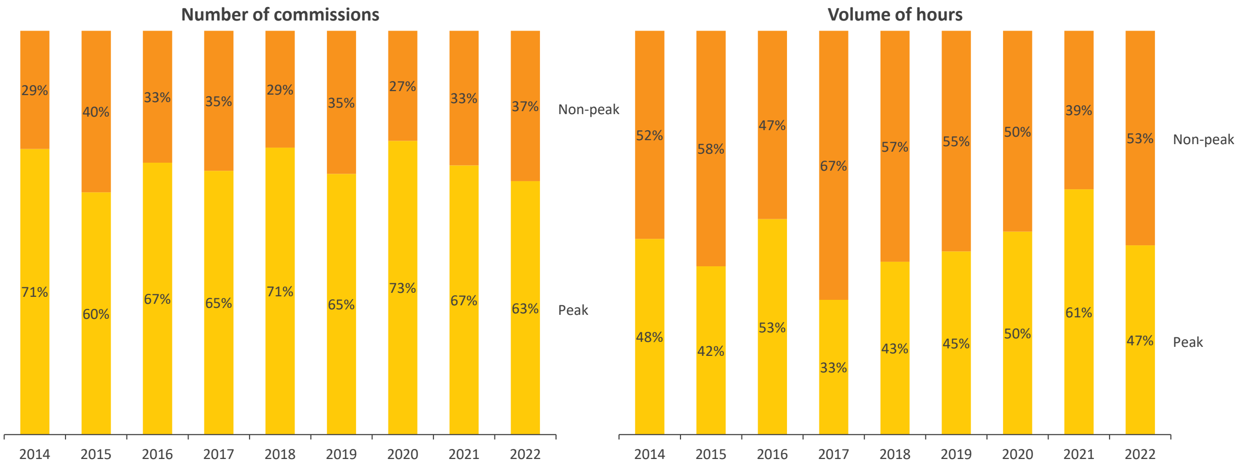
Figure 26: External PSB Network commissions with producers with a branch office in Scotland by status, 2014-22



Source: O&O Programme Database, Oliver & Ohlbaum analysis

On the other hand, **Figure 27** and **Figure 28** show that Scotland-headquartered companies produced more peak-time commissions than producers with a branch office. Peak-time accounted for the majority of commissions with Scotland-headquartered producers, varying between 60 and 73 per cent. There has been some variation in the volume of peak hours, at 48 per cent in 2014, dropping to a low of 33 per cent in 2017 followed by steady growth to a high of 61 per cent in 2021, before falling back to 47 per cent in 2022. In any case, it is normal for peak-time productions to be higher value and with fewer episodes (sometimes single episode).

Figure 27: External PSB Network commissions with Scotland-headquartered companies by daypart, 2014-22



Source: O&O Programme Database, Oliver & Ohlbaum analysis

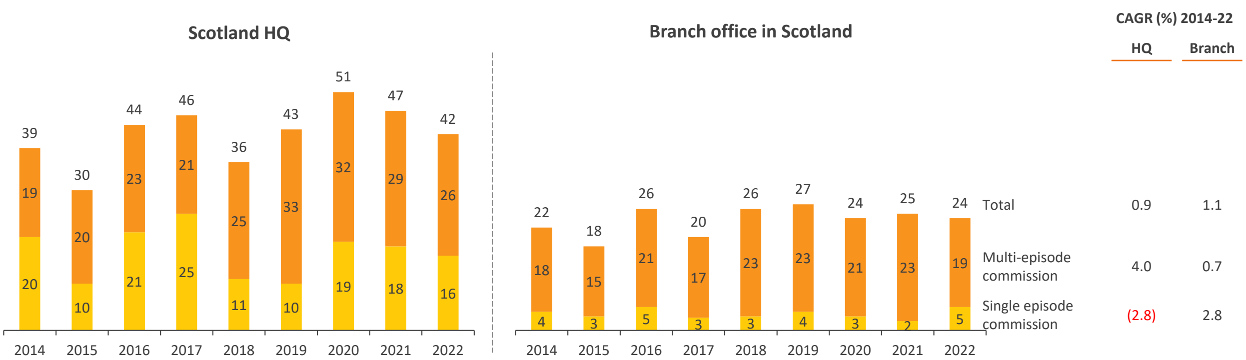
As shown in **Figure 28**, we can see that proportion of peak-time commissions received by producers with a branch office in Scotland fluctuated between 2014 and 2022, while non-peak accounted for the majority of hours in every year.

Figure 28: External PSB Network commissions with producers with a branch office in Scotland by daypart, 2014-22

Source: O&O Programme Database, Oliver & Ohlbaum analysis

While Scotland-headquartered companies received a higher number of commissions overall than producers with branch offices, **Figure 29** demonstrates that they had a more even split between single episode and multi-episode commissions compared to producers with a branch office in Scotland; this can perhaps be expected given the breakdown of commissions by broadcast daypart (Figure 27 and 28) as peak commissions typically feature fewer episodes than those broadcast in non-peak.

Figure 29: External PSB Network commissions by type of producer and episode count, 2014-22



Source: O&O Programme Database, Oliver & Ohlbaum analysis

Overall, this comparison shows that Scotland-headquartered companies won more commissions overall as compared to producers with a branch office, with a higher share of new strands and commissions that were broadcast in peak time. As a result, they had a higher share of commissions with fewer episodes (or that were single episodes) but more likely at a higher (peak time) tariff. The fact that the largest share of commissions and hours for producers headquartered in Scotland is in factual, however, does mean that these producers are somewhat exposed to the PSB commissioning trend towards prioritising scripted, high value content. There is a foundation on which to build, given that Scottish-headquartered companies won 67 per cent of the drama commissions from Scottish-based producers in 2022. At the same time, returning strands still accounted for over 60 per cent of hours – a necessary foundation for growth and diversification.

Turning to producers with a branch office in Scotland, on average they won many more returning strands with multiple episodes; these were more often broadcast off-peak and therefore more likely at a lower tariff. While they also have a fairly high proportion of commissions in factual at around 40 per cent, they are more diversified with a larger share of commissions in entertainment, which has the potential to include formats that are repeatable and have international appeal.

At the same time, a high share of hours is made up of sports coverage. As seen in the producer interviews, a policy question raised in relation to this is, while welcome, to what extent it enables investment in the Scottish economy and creative sector.

5 Opportunities, policy options and recommendations for the future

Considering the opportunities and the challenges that we have identified for the sector, in this part we make some observations and recommendations around the future policy framework so that it continues to support the Scottish production sector's success in the coming years.

5.1 Policy considerations for the future strength and sustainability of the production sector in Scotland

Undoubtedly, the framework established by the Communications Act 2003 has enabled and supported considerable change and growth in the TV production sector in Scotland and across the wider UK. The Media Act 2024 implementation and the upcoming PSB Review present the opportunity to further strengthen the regulatory framework for the Scottish production sector, as well as contributing to the sustainability of the PSB system – the major source of continuous commissioning in Scotland.

Considering the current state of the production and wider audiovisual sector across the UK and the future challenges and opportunities outlined in part 4, in this section we set out observations on potential policy levers to support production in Scotland in the coming years.

5.1.1 Ofcom is currently consulting on the Channel 4 licence renewal

In relation to the Nations and Regions quotas, the Channel 4 licence is in the process of being reviewed and renewed. In its consultation document, Ofcom proposes not to change Channel 4's 'Made outside England' (MoE) quota, either in terms of the level or to create separate quotas for each Nation on the BBC model. As outlined in part 2, Channel 4 currently has an 'out of London' quota of 35 per cent and has adopted a voluntary target of 50 per cent spend out of London, and a Made outside England quota of 9 per cent – meaning that English productions may account for up to 91 per cent of hours and spend, and it has no specific quotas by Nation.

Broadly speaking, Ofcom considers that increasing Channel 4's Made outside England quota would reduce the Corporation's operational flexibility to respond to economic uncertainty or changes in the production market, and that this would run contrary to Ofcom's duty to ensure that C4C remains sustainable in the medium to long term. In particular, the consultation suggests there might not be sufficient capacity in the Nations to respond to increased demand, in terms of production resources and creative ideas, and for higher budget scripted genres.

Stakeholders, including from Screen Scotland, Creative Wales, Northern Ireland Screen, the STUC, DUK and the independent producer association, Pact[19], have said that they would support a Nations quota for Channel 4 that reflects the Nations' share of population (similar to the BBC quotas). This would mean a 16 per cent MoE quota, with 8 per cent for Scotland, 5 per cent for Wales and 3 per cent for NI. Stakeholders state that this approach would enable producers to rise to meet demand, and that PSBs are key to driving demand in the Nations – it would stimulate Channel 4 to make strategic efforts to engage with and develop a strong supplier base in the Nations; Scotland is producing successful HETV for different types of commissioning broadcaster/VOD services and wants to develop this area further in order to thrive in the future.

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[19] Oliver & Ohlbaum's report for Ofcom, 'Understanding the UK's TV production sector', 2023 was cited by Ofcom in its consultation document. Data analysis by Oliver & Ohlbaum was cited in Pact's response to Ofcom's consultation

This is an ongoing consultation; it will be important to weigh up the different perspectives and evidence brought forward to ensure that the future contribution of the second publicly-owned PSB to the production sector in Scotland is both stretching and sustainable.

5.1.2 It will be important for Ofcom to keep the impact of its regional production guidance under review

As part of our interview programme for this report, stakeholders highlighted how the hours and spend for a production may be allocated in full to e.g. Scotland if the substantive base criterion is met there and one of the other criterion are met outside the M25 – not necessarily in Scotland.

While PSBs require some flexibility to build scale in the Nations over time, in our interviews producers and Screen Scotland questioned whether this strikes the right balance today, given the development of the Scottish screen sector over the last two decades and its potential to rise to meet demand. They highlighted that Ofcom's regional production and programme guidance means that a production without meaningful economic activity in Scotland or use of Scottish talent, crew or facilities may qualify as Scottish. It should be considered whether allocating 100 per cent of a production to an area's quota meets with the policy aim of creating 'strong regional production centres' that can 'create jobs, opportunities for training and gateways into the creative industries at a national level' and 'help to address geographical imbalances within the national television production industry'.

One option raised was to allocate spend to the area where the spend is incurred. This was seen as more proportionate and as providing a 'next step' in incentivising PSB commissioners to deepen their relationships in Scotland and to build scale there, increasing the economic benefits as well as opportunities for talent and training.

Certainly, the Scottish production sector has developed significantly over the last 20 years, supported by the Nations & Regions quotas and other policy interventions to unlock producer entrepreneurialism and further commercial investment. It is appropriate to assess whether a tighter approach to allocating spend and hours would improve the proportionality and effectiveness of the quotas in practice, and better meet the policy objectives.

Ofcom's guidance was last reviewed in 2019 and the new rules came into effect in January 2021; we expect that Ofcom will want to keep its impact under review as part of its regular monitoring and reporting on production in the Nations and Regions, and its engagement with stakeholders. More specifically, it seems appropriate for Ofcom to consider the role of the guidance when consulting on implementing the Media Act 2024 provisions on the regional programme-making quotas and the move to an absolute number of hours and amount of expenditure per PSB (across its licensed channels and designated BVOD player). The principals that underpin the quotas will need to be clearly stated so that Ofcom can work with the PSBs and suppliers to ensure a sustainable balance for both is struck.

More broadly, the role of the PSBs in supporting the wider UK audiovisual ecosystem will be considered as part of the upcoming PSB Review, and the production sectors in the Nations & Regions form an important part of this.

5.1.3 The BBC Charter and Agreement and licence fee are due to be reviewed by 2027

As we have seen, the BBC plays a major role in commissioning in Scotland, across a range of genres and budget ranges. It is also a vital anchor tenant at Pacific Quay in Glasgow, supporting it as a production hub. It is the only PSB to have a specific Scotland quota that reflects population size, in addition to a series of initiatives to develop scale in Scotland. Independent, adequate and sustainable future funding for the BBC will therefore be of great importance to the health of the production sector and wider audiovisual sector in Scotland.

5.1.4 Now is the time to embed a refreshed approach to skills and training

The Screen Sectors Skills Task Force report, 'A sustainable Future for Skills', proposes a new strategy for the UK with three pillars:

- Strengthening strategy and partnership: establishing structures for sector collaboration in the long term, across shared goals and actions – with existing entities including Screen Scotland working as partners
- Building sustainable growth and sustainable careers: focusing on skills that broaden career options, prepare workers for the future, and support accessibility and inclusion
- Putting work-based learning at the heart of skills development: this includes working with the Scottish (and other Nations) governments to adapt apprenticeships schemes to project-based work suitable for the production sector

In interviews we heard that skills and training in Scotland has been working well, and the emphasis in the Task Force report on long-term collaboration with partners across the UK was welcomed as a means of sharing learnings and avoiding overlap, increasing everyone's impact. Screen Scotland has an existing role in screen development and training so that off-screen talent can meet industry needs within Scotland and Scotland is attractive to new inward investment.

For the future, we heard that an emphasis on skills and development in HETV scripted will be especially important to support growth of this production area in Scotland and to retain relevant talent and skills in Scotland, in a virtuous circle.

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