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Culture, Welsh Language and Communications Committee

Outside the Box

The Future of S4C

August 2017

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Noson Gwylwyr
Ysgol y Moelwyn
Blaenau Ffestiniog

7.00
Nos Fercher Wednesday
28 Medi September

0370 600 4141

gwtlren@s4c.cymru

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Noson Gwylwyr
Ysgol y Moelwyn
Blaenau Ffestiniog

7.00
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National Assembly for Wales

Culture, Welsh Language and Communications Committee

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Culture, Welsh Language and
Communications Committee

Outside the Box

The Future of S4C

August 2017



National Assembly for Wales
Culture, Welsh Language and Communications Committee

Culture, Welsh Language and Communications Committee

The Committee was established on 28 June 2016 to examine legislation and hold the Welsh Government to account by scrutinising expenditure, administration and policy matters, encompassing (but not restricted to): culture; the arts; historic environment; Welsh language; communications; broadcasting and the media.

Current Committee membership:



Bethan Jenkins AM (Chair)
Plaid Cymru
South Wales West



Hannah Blythyn AM
Welsh Labour
Delyn



Dawn Bowden AM
Welsh Labour
Merthyr Tydfil and Rhymney



Suzy Davies AM
Welsh Conservative
South Wales West



Neil Hamilton AM
UKIP Wales
Mid and West Wales



Dai Lloyd AM
Plaid Cymru
South Wales West



Jeremy Miles AM
Welsh Labour
Neath



Lee Waters AM
Welsh Labour
Llanelli

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Foreword / Summary

Welsh is Britain's oldest indigenous language and is said to be the oldest living language in Europe. It is the cornerstone of Welsh culture and heritage and is one of the most defining features of Wales as a nation.

While Welsh is an ancient language it is one that lives and thrives in the modern world. The establishment of S4C in 1982 provided the opportunity for Welsh to develop and flourish and for Welsh speakers to receive the modern TV service that they had been demanding. Since its inception S4C has been successful as a cornerstone of support for the Welsh language and a key part of cultural and artistic expression for Wales as a whole.

The expansion in the number of TV channels, of which S4C was a part in 1982, has since accelerated greatly and broadcast TV channels are no longer the sole platform for the consumption of entertainment, news and other media. S4C needs to be able to continue to provide a modern service using the new and developing platforms that are now available and becoming available. That is why there is now a pressing need for a thorough review to ensure that S4C can operate effectively in this new multi-platform world.

It is disappointing that the last review of S4C was held as long ago as 2004 and that the planned review by the Department for Digital, Culture, Media and Sport had not started at the time this report was agreed. It is important that it starts soon and, while thorough, carries out its work with urgency. The Committee believes that future reviews need to be held on a more regular basis and at shorter intervals.

S4C has suffered significant cuts in recent years. In 2011-12, S4C received £101 million from the UK Government. That funding allocation would now need to be around £111 million if it had kept pace with inflation. Instead, S4C's funding has been cut to just £81.3 million in 2016-17. While the DDCMS review offers an opportunity to look at the full range of issues that is affecting S4C at present, including what constitutes fair funding for the channel, we believe these cuts have been both severe and disproportionate.

However, while it would be tempting simply to call for S4C's funding to be restored to the previous historic level, the real pressing need is for a modern and forward looking assessment of the services that S4C should be expected to deliver for the future. Once these service levels have been agreed, we would expect sufficient funding to be provided to allow S4C to deliver them. Any new funding arrangement needs to build in a formula for protecting S4C from inflationary pressures.

More also needs to be done to improve commercial exploitation of S4C programmes both by S4C itself and by independent producers. However, the DDCMS needs to consider what structural changes may be needed to facilitate this.

There is also a wider debate to be had around whether formal responsibility for S4C should be devolved to the National Assembly and this question should form part of the DDCMS review. In any event, the review must take account of the legitimate interest of the Welsh public, and its elected representatives, in S4C and needs to consider how formal channels of accountability to the Assembly can be strengthened.

We also call for S4C's independence to be protected while it continues to collaborate with the BBC and to widen collaboration to other public sector bodies that provide media in the Welsh language. We also believe that S4C should in future be regulated by Ofcom under a service licence arrangement, with the current S4C Authority replaced by a unitary board similar to that of the BBC.

Finally, the job of making the Welsh language visible across all of public service broadcasting cannot be left to S4C alone. In the Committee's view, all public sector broadcasters in Wales should take simple steps to make Welsh more visible.

S4C has been a great success since its inception. It has widespread support within Wales and has sustained and enhanced the way the Welsh language is used in a modern world and in modern media. However, it now needs a thorough, forward looking assessment of its role, remit and funding to help it ensure that it can continue its successes with confidence into the future.

Recommendations

- Recommendation 1.** We recommend that S4C's remit is amended to remove the current geographical and television only restrictions..... Page 13
- Recommendation 2.** We recommend that S4C's remit should be amended to include a specific requirement to promote and foster the Welsh language.
..... Page 13
- Recommendation 3.** We recommend that the requirements S4C is expected to meet are evaluated fully as part of the DDCMS review and are set out in a service licence against which future funding requirements, including funding for new digital platforms and content on those platforms, can be assessed. Page 17
- Recommendation 4.** We recommend that the starting point for the DDCMS's review of S4C's funding should be a recognition of the scale of cuts that S4C has suffered since 2011-12 with future funding based on a clear definition of the service requirements that S4C is expected to deliver and funding set at a level to enable S4C to successfully deliver these requirements..... Page 18
- Recommendation 5.** We recommend that, whatever funding arrangements are agreed for S4C following the DDCMS review, regular independent reviews and assessments of S4C's funding needs should be a feature of any new settlement.
..... Page 19
- Recommendation 6.** We recommend that a mechanism for ensuring that S4C's income is increased in line with inflation should be built into whatever funding settlement is agreed following the DDCMS review. Page 19
- Recommendation 7.** We recommend that consideration be given to linking S4C's funding and review arrangements to those of the BBC. Page 19
- Recommendation 8.** We recommend that the DDCMS should continue, as long as S4C remains non-devolved, to provide a significant part of S4C's public funding. Page 20
- Recommendation 9.** We recommend that the DDCMS review considers how the formal accountability of S4C to the National Assembly for Wales can be strengthened. Page 20

Recommendation 10. We recommend that the DDCMS review must ensure that S4C's prominence on EPGs is improved to ensure parity between S4C and other Public Service Broadcasters and that further regulation of smart TVs is needed to accord due prominence to all PSBs on EPGs and pre-loaded applications.

..... Page 23

Recommendation 11. We recommend that S4C's future governance arrangements should protect S4C's position as an independent organisation and broadcaster. Page 25

Recommendation 12. We recommend that S4C should be regulated by Ofcom under a service licence arrangement. Page 25

Recommendation 13. We recommend that the current S4C Authority should be replaced by a unitary board, protected by statute or Charter, along the lines of the current BBC model. Page 25

Recommendation 14. We recommend that the DDCMS review considers what changes are needed to facilitate greater joint working between S4C and independent producers to improve the commercial exploitation of Welsh language programmes through identifying and marketing commercial opportunities and through joint sharing of risks and benefits. Page 27

Recommendation 15. We recommend that S4C should prioritise working jointly with independent producers to share risks and benefits and improve the commercial exploitation of programmes. Page 27

Recommendation 16. We recommend that the Welsh Government considers how it might work with S4C to commission work or content aimed at supporting its objectives for supporting the Welsh language. Page 29

Recommendation 17. We recommend that S4C's remit should include a specific requirement to work in collaboration with the BBC and other organisations in Wales that provide or support Welsh-language media across a variety of platforms. Page 31

Recommendation 18. We recommend that all public sector broadcasters in Wales should be required to provide part of their content in Welsh. Page 31

01. Background

Proposed UK Government Review of S4C

1. In February 2016, the UK Government announced that it intended to carry out a comprehensive review of S4C in 2017. In announcing the review it stated¹:

“S4C in Wales has a specific remit around Welsh language programming, with the majority of their funding generated from the TV Licence Fee. In recognition of scale and minority audience issues, S4C also receives direct funding from Government.

In order for S4C to continue to provide a first-class service and have a sustainable future, the Government also intends to carry out a comprehensive review in 2017. This will look at the remit, governance and funding of S4C to ensure the broadcaster can continue to meet the needs of Welsh speaking audiences in the future and invest in high-quality programming.”

2. Responding to a Commons debate² on S4C on 18 January 2017, Minister for Digital and Communications (Matt Hancock MP) said that:

“We will be announcing the review shortly. We will certainly take into account the comments that my hon. Friend and others have made as to what the review should consider. I can commit that the reviewer will have a thorough understanding of Wales and an interest in the Welsh language. Of course, the review needs to look into how S4C can succeed in the short term and long term. The licence fee now contributes the vast majority of funding—more than £74 million. The direct funding from DCMS [DDCMS] is currently just over £6 million, which, as the hon. Member for Clwyd South (Susan Elan Jones) said, is a relatively small element of the overall funding. We are aware of the commitments given by a predecessor on timing, and the Secretary of State is currently considering that issue.”

3. However, at the time this report was being prepared there had been no further announcement giving further details of when the review would start, what its remit would be or who would be involved in conducting the review.

Our View

It is disappointing that the Department for Digital, Culture, Media and Sport’s (DDCMS³) review has yet to start or indeed that there is little evidence that arrangements for it are in any way advanced. We note later in this report that S4C’s remit has not been fundamentally reviewed or updated since 2004.

¹ <https://www.gov.uk/government/news/uk-government-protects-funding-for-welsh-broadcaster-s4c>

² <https://hansard.parliament.uk/Commons/2017-01-18/debates/D4FA1DDD-C4FD-499B-8EAD-2514BED76127/S4C>

³ The Department for Culture Media and Sport was renamed the Department for Digital, Culture, Media and Sport on 3 July. For the avoidance of confusion, the abbreviation DDCMS is used throughout this report even when referring to the Department prior to its name change. The exception is when direct quotations are used when DCMS [DDCMS] will be used.

This seems to illustrate that the DDCMS's relationship with S4C has been one of benign neglect for too long.

Previous Consideration by the Committee

4. In the Committee's report 'The Big Picture' - Initial Views on Broadcasting in Wales⁴, we expressed our deep concern at the severe impact of cuts to S4C's budget since 2010, amounting to at least 36 per cent in real terms.

5. While the planned review offers an opportunity to look at the full range of issues that is affecting S4C at present, including what constitutes fair funding for the channel, we made it clear that we believed these cuts had been both severe and disproportionate. We recommended that there should be no further funding cuts until the planned review had been completed and there had been an opportunity for reflection on its conclusions by all those with a stake in the future of S4C.

6. In responding to the 'Big Picture' Report the Secretary of State for Culture, Media and Sport the Rt Hon Karen Bradley MP said⁵:

"The Government is committed to the future of Welsh language broadcasting and of S4C. That is why we made a commitment to carry out an independent review of the broadcaster during 2017, covering S4C's remit, funding and governance, and it is why we announced earlier this year that we will be providing an additional £350,000 of capital funding to S4C for 2017/18. This funding will enable S4C to carry out upgrades to its technical and IT equipment, which are necessary for S4C to remain up-to-date in an increasingly competitive and fast-changing broadcasting market. As you may know, the Government is also investing in S4C's long-term future with a £10 million loan to enable the relocation of S4C's headquarters to Carmarthen and co-location of technical facilities with the BBC in Cardiff."

The Committee's Inquiry

7. We signalled our intention in the Big Picture to play as full a part as possible in the review by carrying out our own inquiry into S4C and making recommendations for the UK Government to take into account as part of it.

8. We started our Inquiry in February 2017 and agreed to look at the following issues as part of the Inquiry:

- What sufficient funding for S4C looks like. For example, who should provide it, and how should it be calculated – should it be linked to a formula? How should this be supplemented with revenue raised by S4C?
- What S4C's statutory remit should be. Is its current remit fit for a contemporary broadcaster, and if not, how should it change? How should it reflect the digital role of a modern broadcaster?

⁴ <http://www.assembly.wales/laid%20documents/cr-ld10916/cr-ld10916-e.pdf>

⁵ <http://senedd.assembly.wales/documents/s63065/Paper%204.pdf>

- What governance and accountability structures S4C should have in place. For example, should responsibility for S4C be devolved to Wales?
- What S4C’s relationship with the BBC should look like.
- The visibility of S4C: covering issues such as S4C’s prominence on the electronic programme guide and smart TVs.

Recent Developments

9. Since the Committee first met with S4C at the beginning of this inquiry, the channel has published its vision for the next ten years, *S4C: Pushing the boundaries (Multi-platform Welsh media service)*⁶. S4C describes this document as a “key element of our submission to the independent review”. *Pushing the boundaries* outlines how S4C believes its remit should change to allow it to become a modern public service media content provider in the Welsh language.

Our View

We welcome S4C’s vision for the future of its services as set out in *Pushing the Boundaries*. We offer our views as to how this should be implemented later in the report.

⁶ <http://www.s4c.cymru/gwthiorffiniau/pdf/S4C-Review.pdf>

02. Statutory remit

10. S4C has argued that, as much as any Public Service Broadcaster's (PSB) audience, the Welsh speaking audience consists of a number of different age and interest groups. In a multi-channel and increasingly online viewing environment, holding on to audience share has been a significant challenge for PSBs. While other PSB have been able to address these challenges by targeting specific audiences through segmented channels and targeted online material, these options have not been available to S4C given its size and reducing budget as well as a remit that is out of date and places obstacles in the way of providing content specifically for digital audiences.

11. The Committee heard from a number of witnesses that S4C's statutory remit should be updated, in two main ways:

- The current legislation refers to S4C providing "television broadcasting". This is not broad enough to capture all of the activity of a modern broadcaster and media content provider.
- The current legislation refers to S4C's television services "being available for reception wholly or mainly by members of the public in Wales". This does not fit the role of a modern broadcaster: 45% of S4C's weekly viewers are outside of Wales.

12. Several stakeholders, including digital media consultant Huw Marshall, the Institute of Welsh Affairs and production company Tinopolis, have questioned whether a television broadcaster – such as S4C – is the right model for delivering Welsh language media content in a multi-channel, multi-platform world.

13. For instance, Huw Marshall said⁷:

"We need to ask the fundamental question is the model of a TV channel the correct way forward for S4C? If the answer is no, either partially or fully, what should come in its place? Research and data suggests that Millennials, the main proportion of Welsh speakers today, are moving away from traditional broadcast towards new platforms and content."

14. Ron Jones of Tinopolis told us⁸:

"... And if we look at that in the new environment, then we need almost to be agnostic about platforms. We need to look at the content first—what's of interest? And then we need to have institutions that are able to manage, over time, the movement between one platform and another. So, we don't really think in terms of traditional television alone."

15. S4C has said that "an updated remit, moving away from the geographical and TV only restrictions to enable multi-platform Welsh language provision throughout the UK and beyond"⁹ is a priority that needs to be addressed. It calls for the channel to be "re-classified as a Public Service Media content provider", rather than a Public Service Broadcaster. It noted that, as it has not been

⁷ <http://www.senedd.assembly.wales/mgConsultationDisplay.aspx?id=251>

⁸ <http://senedd.assembly.wales/documents/s61937/30%20March%202017.pdf>

⁹ <http://www.s4c.cymru/gwthiorffiniau/pdf/S4C-Review.pdf>

subject to an independent review since 2004, the channel has been unable to segment, as other broadcasters have done, to respond to the fragmented nature of contemporary audiences.

Our View

S4C's remit has not been updated since 2004. While other Public Service Broadcasters have been able to segment their programming and target audiences demographically and online, to maintain audiences this has proved more difficult for S4C. This is a factor of their relative size and shrinking budgets but they are also hindered by an outdated remit which refers simply to television broadcasting and requires the channel's services to be 'available for reception wholly or mainly in Wales'. Although S4C has taken some steps toward providing online content, such as the 'Pump' initiative further work in this area is constrained by these requirements, as well as the general funding environment.

The current remit is clearly not fit for purpose in the current media environment and needs to be brought up to date as a matter of urgency.

Recommendation 1. We recommend that S4C's remit is amended to remove the current geographical and television only restrictions.

It almost goes without saying that S4C was established and continues to exist because of the unique position of the Welsh language in Wales and indeed in the UK. It is a vehicle for the sustenance of the language and for ensuring that it continues to grow and thrive. Its primary role must continue to be to provide a service in their own language to Welsh speakers in Wales and indeed across the UK and the world. However, it also has a wider role and mission and that is to promote the Welsh language as a vibrant and modern language that is used in all walks of life. We believe that this role also needs to be properly reflected in S4C's revised remit.

Recommendation 2. We recommend that S4C's remit should be amended to include a specific requirement to promote and foster the Welsh language.

03. Funding

Background

16. The provisions relating to the funding of S4C are set out in Section 31 of the Public Bodies Act 2011. This places a statutory duty upon the Secretary of State to ensure that the Authority is paid an amount which he considers sufficient to cover the cost to the Authority each year of:

- (a) providing the Authority's public Services (within the meaning of Section 207 of the Communications Act 2003); and,
- (b) arranging for the broadcasting or distribution of those services.

The Secretary of State for Culture, Media and Sport may discharge this duty by making payments himself or entering into an agreement with another person for that person to do so (or both).

Such funding must be held in the Public Service Fund and be applied only for the purposes of providing the Authority's public services. No subsidy is permitted from the Public Service Fund for any S4C subsidiary.

17. S4C's public funding now comes mainly from the Licence Fee with grant-in-aid also provided by the UK Government DDCMS. S4C also generates commercial revenues through activities including advertising sales and programme sponsorship.

18. Following the UK Government's Comprehensive Spending Review in 2010, S4C faced both reductions in its funding and changes in how that funding was provided. Whereas most of S4C's revenue had previously been provided directly by the DDCMS and linked to inflation, from April 2013 the majority of that funding has come via the BBC Trust through the licence fee, with the DDCMS continuing to provide a small grant.

19. In 2011-12, under the previous arrangements, S4C received £101 million from the DDCMS. That funding was reduced to around £7 million per year from 2013-14, with the BBC providing £76.3 million. The BBC's element reduced further to £74.5 million in 2016-17. The new BBC Charter set out that this funding from the licence fee will remain constant in cash terms until 2020-21 (a real terms cut of approximately 10% by 2020-21).

Impact of Funding Reductions

20. Overall, the changes have meant that S4C has faced budget reductions of at least 36 per cent in real terms since 2010. The DDCMS's current contribution remains at 2015-16 levels (£6.8 million) in 2016-17, and drops to £6.1 million in the following year. However, as noted earlier in this report the DDCMS has also announced that it will provide an additional £350,000 of capital funding to S4C for 2017/18 for upgrades to its technical and IT equipment. It is also providing a £10 million loan to enable the relocation of S4C's headquarters to Carmarthen and co-location of technical facilities with the BBC in Cardiff. The Welsh Government has also decided to contribute £3 million of capital funding to support Yr Egin: the new creative industries hub in Carmarthen that will house S4C's new headquarters.

21. Some concerns have been expressed about the funding arrangements for the new building in Carmarthen that S4C will be moving to in 2018, as part of the plans for Yr Egin, led by the University of Wales Trinity St David. S4C explained that it intends to pay £3 million of rent in advance for Yr Egin,

which will secure static rent for 25 years. Mr I Jones stated that "the guideline that I received from the authority was that it (moving the channel's headquarters) should be cost neutral, and at present, over the period, we're saving millions". Although Mr I Jones stated that it would not be cost-effective for "any broadcaster that is investing in infrastructure" to do so for less than a 20 year period, the Committee has some concerns that this decision will limit the channel's freedom in the subsequent 25 year period. S4C has noted that almost 30 other organisations have expressed a desire to co-locate with S4C in Carmarthen, and that it hopes to "act as a catalyst for the creation of a lively, innovative cluster in west Wales". The Committee looks forward to the resolution of any issues and hopes that the new headquarters will provide the benefits hoped for.

22. S4C has welcomed the "element of stability" provided by the licence fee settlement. However, they have noted the pressure that comes with this being a cash-flat settlement: meaning a real-terms reduction in funding over this period. As the channel explains, the cash-flat settlement means a forecasted further real-terms reduction of its content budget of £8.7 million by 2021-22.

23. However, in evidence from S4C for the Big Picture report, it was clear that the impact of the cuts since 2010 has been significant. The channel shut down its HD service in 2012 – though this was re-launched in June 2016; its investment in children's programmes has reduced; there has been a lack of original drama for several months a year; and it has become more difficult for the channel to compete for popular sport rights.

24. The channel has managed to maintain the hours that are broadcast on screen despite having lost around £65 million from budget cuts. However, as the Chief Executive of S4C told us previously:

"In 1982, when S4C launched, we had a target of 20 per cent repeats on screen—so, repeated programmes. We're now at 57 per cent, which, in my view, is far too high."

25. A number of witnesses have noted the negative impact of the sustained cuts to S4C's budget since 2010. For instance:

Rondo – written evidence

S4C needs additional finance to make it fit for the Netflix and Amazon Prime generation. It needs the resources to create sufficient impact on these platforms and to make proper strides in commissioning new content for non-linear platforms beyond its core service.

Bectu – written evidence

"BECTU is extremely concerned that the half-hourly cost of producing an S4C production has dropped to £10,800, this compares with an average hourly spend of £48,884 in 2006."

And

"Our aim would be for a funding formula that takes us at least to the equivalent levels of finance available in 2010 for TV production and that additional funding for other areas e.g. radio and digital services, should come from elsewhere, the logic being that once austerity is over, given that this is the

reason given for the cuts, funding for our only Welsh language TV should be re-instated.”

Ian Jones, S4C – 2 March 2017

“It costs money to provide content across platforms, and I feel strongly that if our remit is not fit for purpose at the moment, I feel that our financing isn’t. I cannot see how S4C can be ubiquitous across platforms in the future, and can target audience segments that are watching on different platforms, with the current financing, without becoming a second-class service in future. I don’t think that the current financing we get is sufficient to target all those platforms and be ubiquitous.”

David Donovan, BECTU – 30 March

“...we cannot get away from the significant damage that has been done to S4C because of the significant cuts, up to 40 per cent, that it faces.

...S4C’s current cuts are causing some fundamental difficulties to its ability to deliver

...it’s purely frustrating for us that S4C can be expected to make significant cuts on the back of a telephone call between Westminster and the head of the BBC. That’s totally unacceptable in a modern democracy.”

26. The Committee also heard previously that, over a period of six years, the number of S4C staff has reduced from 220 to less than 130. Following the move to Carmarthen the S4C intends to jointly locate its technical operations with the BBC. A number of S4C staff will move to work for the BBC, meaning S4C will have about 80 staff members. Internal overheads have been reduced to “around 4 per cent”, compared to “an average of about 11 or 12 per cent in the public sector”¹⁰. Furthermore, it has reduced its commissioning costs by 35 per cent. S4C’s cost per hour is now £10,800: the lowest it has ever been.

Our View

While we recognise that advances in technology may have led and may lead to a reduction in some costs, it is absolutely clear to us that the funding reductions suffered by S4C have had, and are having, a lasting and severe impact on its ability to provide its service. There was no dissent from witnesses that S4C’s funding is now insufficient and needs to be increased significantly. If this does not happen, the service may decline to the point where it will be unable to sustain the interest and support of the audience it is meant to serve, let alone develop the new services that are needed for the modern digital world.

However, witnesses have been less clear on what level of additional funding is needed. While S4C has said that its current content budget is “not sufficient” it has fallen short of calling for a specific figure for its total budget. Instead, it has said that that it needs an extra £6 million p.a. to enable it to deliver

¹⁰ <http://senedd.assembly.wales/documents/s54842/6%20October%202016.pdf>

its services over broadcast TV and digital platforms and invest in new content on digital platforms without impacting on current levels of investment in content.

The planned DDCMS review is the proper vehicle for looking at the full range of issues that is affecting S4C at present, including what constitutes fair or sufficient funding for the channel. In our view, funding should be based on what it is that S4C is expected to do. This should proceed from a full and thorough assessment of the service that S4C is being asked to provide. This should mean, as with the BBC, that the requirements for S4C should be set out in a Service Licence with funding reflecting the requirements set out in that licence. A key job for the DDCMS review will be to assess and set out what those licence requirements should be including new digital platforms and content on those platforms.

Recommendation 3. We recommend that the requirements S4C is expected to meet are evaluated fully as part of the DDCMS review and are set out in a service licence against which future funding requirements, including funding for new digital platforms and content on those platforms, can be assessed.

While future funding should be based on a service licence that follows a proper assessment of S4C's future role, we set out below for illustrative purposes our assessment of the scale of additional funding that would be needed to restore S4C's funding to the position it was in before the cuts took place.

What is 'Sufficient' Funding?

27. In 2011-12, under the previous arrangements, S4C received £101 million from the UK Government DDCMS. In 2016-17, S4C received £81.3 million of public funding (£74.5 million from the TV licence fee and £6.8 million from DDCMS).

28. However, in 2004, the previous independent review of S4C commissioned by DDCMS stated:

“The annual RPI-linked grant from government, introduced in 1998, has not kept pace with broadcasting inflation, and the Channel’s other major source of revenue from advertising sales is in long-term decline.”

29. Adjusted for inflation, the 2011-12 funding allocation for S4C would have been worth £111 million in 2016-17. S4C has presented the committee with evidence that it needs an extra £6 million per annum just to deliver its services over broadcast TV and digital platforms and invest in new content on digital platforms, without impacting on current levels of investment in content. This suggests that S4C's annual funding would need to be around £117 million per annum if the intention was simply to restore previous funding levels and make provision for new digital platforms and content.

30. However, even this level of funding may be insufficient to restore the channel to its previous funding position, as it fails to take account of the above-inflation rate of cost increases in broadcasting, and the long-term decline in S4C's advertising revenue – two facts noted in the previous DDCMS review back in 2004.

31. While we endorse S4C's calls for broader commercial powers, this should not be used to reduce the future funding allocation for the channel, as any increase in commercial revenue will simply partially offset its lost advertising revenue.

Our View

While it would be tempting simply to call for S4C's funding to be restored to some previous historic level, the real pressing need is for a modern and forward looking assessment of the services that S4C should be expected to deliver and for funding to be provided to make this level of service delivery realistic.

Recommendation 4. We recommend that the starting point for the DDCMS's review of S4C's funding should be a recognition of the scale of cuts that S4C has suffered since 2011-12 with future funding based on a clear definition of the service requirements that S4C is expected to deliver and funding set at a level to enable S4C to successfully deliver these requirements.

Stability of Funding

32. S4C has called for an "open and transparent" review of the channel's funding to determine "what funding is sufficient for S4C now and in the long term". It has also called for:

- "stability of sufficient funding over a specific and substantial period";
- maintaining plurality of funding sources; and,
- greater investment.¹¹

33. S4C states that its "new remit needs to allow for broader commercial powers to drive additional revenue"¹². The channel explains that from 1996 to 2003 the statutory provisions governing S4C and Channel 4's commercial activities were broadly similar and enabled S4C to invest in a wide range of commercial activities in order to create additional income and capital value for S4C – which in turn was invested back into the channel's public services. However, since 2003, S4C's commercial powers and freedoms have been curtailed by a framework that requires the Secretary of State and Parliament's approval for S4C to invest in certain types of projects. It calls for broader powers to allow S4C to invest and participate in a wider range of commercial projects without having to seek parliamentary approval.

34. In terms of revenue, Boom Cymru states that S4C should be¹³:

"free to collect revenue in any way appropriate for a public broadcaster ... just like Channel 4. [Dylai S4C fod yn rhydd i gasglu refeniw mewn unrhyw ffordd sy'n briodol i ddarllewr cyhoeddus... yn yr un modd â Channel 4...]"

35. S4C told the committee that, given that S4C was last subject to an independent review in 2004, funding decisions in recent years have been made without a full appreciation of S4C's contemporary purposes.

¹¹ <http://www.s4c.cymru/gwthiorffiniau/pdf/S4C-Review.pdf>

¹² <http://www.s4c.cymru/gwthiorffiniau/pdf/S4C-Review.pdf>

¹³ <http://senedd.assembly.wales/mgConsultationDisplay.aspx?id=251>

Our View

There are three main elements to ensuring that S4C has the financial stability it needs to be able to plan with confidence for the future.

- As we have already indicated, it needs sufficient funding to be able to carry out its role and deliver the new services that are needed;
- second, it needs a degree of certainty about what its future level of funding will be; and third,
- it needs that certainty over a reasonable period of time.

However, the taxpayer also needs continuing reassurance that public money is being spent wisely and efficiently. Any revised funding settlement for S4C must, therefore, include regular independent external reviews.

The last independent review of S4C was around 13 years ago; this is far too long a time without any external review. The current formula of S4C being provided with 'sufficient' funding is simply meaningless if the DDCMS is left as the sole arbiter of what is sufficient. It can only lead to the suspicion that cuts in funding are either arbitrary or for reasons unrelated to the need to provide a high standard service to Welsh-speaking citizens.

Recommendation 5. We recommend that, whatever funding arrangements are agreed for S4C following the DDCMS review, regular independent reviews and assessments of S4C's funding needs should be a feature of any new settlement.

It is tempting, to suggest a specific time period for future reviews. It is clear to us that 13 years is simply too long a time while any funding settlement of fewer than 5 years would not allow S4C the time it needs to plan for the future and adjust its services to cope with contemporary emerging trends.

Any future settlement will also need to factor in inflationary pressures from the outset. We note that the renewal of the BBC Charter included provision for the licence fee to increase in line with inflation until 2021-22. It would be invidious if S4C was not provided with similar assurance for its budget for the same length of time. Indeed, there is at least a *prima facie* case that review and funding arrangements for S4C should be linked to those for the BBC with similar arrangements for inflationary pressures adopted.

We have resisted the temptation to be overly prescriptive, which is properly a matter for the DDCMS review. We do however believe that if it is good enough for the BBC to have a degree of protection against inflation then it should also be good enough for S4C, to ensure that Welsh speakers do not receive a substandard service in comparison.

Recommendation 6. We recommend that a mechanism for ensuring that S4C's income is increased in line with inflation should be built into whatever funding settlement is agreed following the DDCMS review.

Recommendation 7. We recommend that consideration be given to linking S4C's funding and review arrangements to those of the BBC.

S4C has put some store on 'plurality' of funding and that it should continue to receive a significant part of its income from the DDCMS, as well as via the licence fee. Clearly, it also needs to be able to make the most of commercial opportunities whether through selling advertising or through programme sales.

While we agree that S4C should be able to exploit commercial opportunities to the greatest possible extent, we are not wholly convinced that plurality of public sector funding is a high principle. What matters more is that S4C receives fair and sufficient public funding and that the DDCMS accepts its accountability to provide S4C with a modern and workable remit, clear service requirements and adequate funding to carry out its role.

Having said that, this does raise an accountability issue in that S4C needs to have an appropriate degree of independence but also be accountable to Government and the wider public it serves. As long as S4C remains non-devolved, we are, therefore, in favour of the DDCMS continuing to provide a significant proportion of S4C's funding so that there remains a line of direct accountability for spending to elected representatives.

Recommendation 8. We recommend that the DDCMS should continue, as long as S4C remains non-devolved, to provide a significant part of S4C's public funding.

The issue of S4C's public accountability within Wales and to the National Assembly also arises. We are pleased that S4C will now lay its annual report and accounts before the Assembly as a focal point for regular scrutiny by elected Members in Wales. There is also a wider debate to be had around whether formal responsibility for S4C should be devolved to the National Assembly and this question should form part of the DDCMS review. In any event, the review must take account of the legitimate interest of the Welsh public, and its elected representatives, in S4C and needs to consider how formal channels of accountability to the Assembly can be strengthened.

Recommendation 9. We recommend that the DDCMS review considers how the formal accountability of S4C to the National Assembly for Wales can be strengthened.

04. Visibility of S4C's services

36. One of the key components of S4C's plan to become a Welsh Public Service Media content provider, rather than just a Public Service Broadcaster, is the concept of "ubiquitous content delivery". It states that its services must be available on all popular platforms – including broadcast, Smart TVs, social media, short-form video sites and online long-form. S4C states that it wants to:

- develop a digital one-stop-shop which enables our audience to access all S4C content in one place, including archive content where relevant rights can be secured;
- offer a personalised service for audience members – content that meets individual needs and the ability to curate accordingly on relevant platforms;
- ensure that S4C's brand and content becomes as prominent and easily accessible as other PSB providers on Smart TVs, media streamers and other on-demand providers; and,
- develop and exploit appropriate platforms for digital content delivery to target different age groups, and populate them regularly with compelling new short-form content.¹⁴

37. As explained above, S4C states that it needs an extra £6 million p.a. to deliver its services over broadcast TV and digital platforms and invest in new content on digital platforms without impacting on current levels of investment in content.

38. The Committee previously heard from digital media consultant Huw Marshall that ensuring S4C's visibility on contemporary platforms like Apple TV, YouTube and Facebook should be a priority. TAC stated that "the prominence of all free-to-air public service broadcasters on the EPG [Electronic Programme Guide] and smart TVs remains crucial", and that despite growth in online viewing figures, there is "still a need for S4C to retain its presence as a free-to-air terrestrial network". Boom Cymru states that "the visibility of UK public broadcasters' platforms on the EPG needs to be protected through law". S4C told the committee that regulation of Smart TVs to accord due prominence to PSBs would be helpful.

39. S4C has a reasonably prominent place on most of the main broadcast platforms, Freeview - channel 4, Freesat – channel 104, Sky – channel 104 (134 without subscribing). Virgin TV however, has S4C on channel 166.¹⁵

40. However, S4C may be less prominent on apps on Smart TV's and on catch-up services such as i-player. In the Committee's 'Big Picture' report the Committee came to the following conclusions:

"In the multi-channel era, prominence on the Electronic Programme Guide (EPG) remains important for a broadcaster, indeed navigating the multiplicity of channels now available probably makes it even more important.

Ofcom regulates this area and its Code of Practice for EPG providers says that they are obliged to give the degree of prominence that Ofcom considers appropriate to listing public service broadcasting (PSB) channels. However, the Welsh Affairs Select Committee in a report last year, expressed concern on this

¹⁴ <http://www.s4c.cymru/gwthiorffiniau/pdf/S4C-Review.pdf>

¹⁵ <http://www.s4c.cymru/en/access-services/page/5865/how-to-get-s4c/>

matter and called for PSB channels, including S4C, to be given more prominence on EPGs.

We are also concerned that S4C does not currently have the prominence on EPGs, and on applications that are now pre-installed on many smart TVs, that its cultural and linguistic importance in Wales merits. We believe that S4C's EPG prominence should be improved significantly to reflect that importance.”

41. In her written response to the report, the Secretary of State for Digital, Culture, Media and Sport told the Committee¹⁶:

“The Communications Act 2003 gives Ofcom a duty to ensure that “appropriate prominence” on the Electronic Programme Guide for linear TV is given to Public Service Broadcasters (PSBs) such as S4C.

As part of the Balance of Payments Consultation, the Government considered extending the Electronic Programme Guide (EPG) prominence regime for PSBs to include their on demand services such as the BBC's iPlayer.

Our conclusion then - which remains our view – is that we have not seen compelling evidence of harm to PSBs to date. However, we recognise that this is a fast moving technological landscape which needs to be kept under review and therefore under the Digital Economy Act 2017, Ofcom has been placed under a new duty to publish a report which will look at the ease of finding and accessing PSB content across all TV platforms on both a linear and on-demand basis. Ofcom will also be required to review its broadcast EPG code by 1 December 2020 and publish its first report on accessibility and discoverability of PSB content before then.

There are at present no requirements on how PSBs' on-demand players should organise the content available within their services. So the prominence of S4C programmes within iPlayer is a matter for the BBC.”

42. While Ofcom's response said¹⁷:

“... we recognise that under section 310 of the Communications Act 2003, we are required to review the prominence provisions from time to time. However, Ofcom has limited resources and reassesses how those resources are best deployed at regular intervals. In light of the absence of legislative reform and competing policy priorities, we have currently no plans to carry out a review of the EPG Code in respect of the prominence provisions. We are aware that the current Code may have some limitations and may therefore revisit this position in the future.”

¹⁶ <http://senedd.assembly.wales/mgIssueHistoryHome.aspx?Id=16079>

¹⁷ <http://senedd.assembly.wales/mgIssueHistoryHome.aspx?Id=16079>

Our View

We note S4C's specific call for an extra £6 million per annum to deliver its services over broadcast TV and digital platforms and invest in new content on digital platforms without impacting on current levels of investment and agree that the DDCMS review should give this specific call full and serious consideration.

While S4C's positioning on the EPG is reasonably prominent on some platforms, this is not the case for all providers and its positioning on smart TV apps is far less prominent. We are concerned at the DDCMS and Ofcom response to our previous concerns in this area, which seem complacent. In our view S4C needs as much prominence as it can get and the DDCMS review should look at this area in more depth with a view to improving S4C's prominence on EPGs and considering whether further regulation of smart TVs to accord due prominence to PSBs is required.

Recommendation 10. We recommend that the DDCMS review must ensure that S4C's prominence on EPGs is improved to ensure parity between S4C and other Public Service Broadcasters and that further regulation of smart TVs is needed to accord due prominence to all PSBs on EPGs and pre-loaded applications.

05. Governance and accountability

43. The S4C Authority is an independent public body. It is responsible for the provision of Welsh language television programme services. The Authority is accountable for S4C's output and the proper management of the channel. The S4C Authority is accountable in the first instance to the DDCMS and Westminster, and in the second instance was accountable to the BBC Trust following the funding arrangements in place since 2013. Following the agreement of a new BBC Charter last year, the BBC Trust ceased to exist in April 2017. The two broadcasters are currently discussing what the new accountability arrangements will look like following the creation of a new BBC Unitary Board. S4C says in Pushing the Boundaries¹⁸ that these discussions are now at an "advanced stage". S4C and the BBC have both told the Committee that it is not appropriate that a BBC board member sits as a full member of the S4C Authority.

44. The Committee heard previously (from the Ofcom Advisory Committee)¹⁹ that, though there is currently a "legalistic" regulatory relationship between S4C and Ofcom, this should become a practical relationship, and therefore S4C ought to be regulated by Ofcom, along with other broadcasters in the UK.

45. TAC (association of Welsh producers) told the Committee that under the new BBC Charter, the BBC's involvement in S4C's accountability arrangements is no longer appropriate. It stated that the funding from the BBC Licence Fee should go straight to S4C, with no oversight from the BBC. Tinopolis's Ron Jones suggested a service licence – as there is for the BBC – for S4C, on the grounds that this would help in monitoring the channel's performance.

46. Although the Minister for Lifelong Learning and Welsh Language did not call for the devolution of broadcasting for Wales, he stated (in his written evidence)²⁰ that, "for some time", the Welsh Government has called for "governance of broadcasting to reflect the reality of devolved government in the UK and support the delivery of policy objectives set in Wales, for Wales".

47. Although S4C does not propose a "fixed corporate view as to the best accountability, governance and regulation structures" for the channel, it identifies a number of key elements in these areas²¹:

- S4C exists as an independent organisation;
- Ofcom should regulate S4C for most things (excluding, for example, language guidelines and policies); and,
- Non-executive appointees should represent a clear majority of the governing body, or board.

Our View

We agree strongly with S4C and others that the independence of S4C must be safeguarded. Given that the major part of S4C's funding is currently channelled through the BBC there is a clear concern that S4C might become subject to direction by the BBC rather than a cooperating partner. Whatever

¹⁸ <http://www.s4c.cymru/gwthiorffiniau/pdf/S4C-Review.pdf>

¹⁹ <http://senedd.assembly.wales/documents/s61937/30%20March%202017.pdf>

²⁰ <http://senedd.assembly.wales/mgConsultationDisplay.aspx?id=251>

²¹ <http://www.s4c.cymru/gwthiorffiniau/pdf/S4C-Review.pdf>

governance arrangements are agreed for the future it is very important that they protect S4C's position as an independent organisation and broadcaster.

Recommendation 11. We recommend that S4C's future governance arrangements should protect S4C's position as an independent organisation and broadcaster.

As to what those Governance arrangements should be, we do not consider the current S4C authority is the right model for the future. Instead, we believe they should follow the new governance model for the BBC. That is, a unitary board, protected by statute or by Charter, regulated by Ofcom under a service licence arrangement with its funding informed by the service licence and set and protected for a significant period of time. These arrangements will provide a clear management and governance structure along with clear lines of accountability for service performance and the necessary level and surety of funding so the services set out in its service licence can be planned for and delivered.

Recommendation 12. We recommend that S4C should be regulated by Ofcom under a service licence arrangement.

Recommendation 13. We recommend that the current S4C Authority should be replaced by a unitary board, protected by statute or Charter, along the lines of the current BBC model.

06. Economic and cultural impact

Programme Rights

48. S4C notes that the current statutory framework means that, in recent years, programmes' "exploitation rights are now held by producers rather than S4C"²². S4C told the committee that though it was generally content with this situation, they felt that it would be desirable if S4C could exploit these rights in cases where the producers were not doing so. Independent television trade association Pact, in its written evidence, stated that it strongly disagrees with S4C's views in this regard. TAC suggested that a change to commissioning for digital content will need rights issues to be considered afresh.

49. Huw Marshall stated that, as English and Welsh programme rights had different economic values, the two ought to be treated differently. He also stated that future rights negotiated by S4C will need to reflect online, rather than linear, viewing habits. Dr McElroy told the committee that the current rights framework in the UK is premised on content's export value. The IWA's written evidence states that "the review provides an opportunity to assess whether the balance between producer and broadcaster rights is appropriate"²³. Tinopolis's Ron Jones suggested that S4C should retain rights for Welsh language content and then make this material freely available.

50. S4C told the committee that "It is possible that there are cases currently where commercial potential isn't fully realised for valid reasons". It went on to explain that²⁴:

"This is a challenge that S4C and the production sector could benefit from solving. For example, it could be beneficial for S4C and co-producers to find a new structure to look into commercial potential and jointly market content, sharing the financial risk and benefits that arise from this. Ofcom support would be required to change our Code of Practice and the rights framework that would enable this to happen."

51. TAC notes the stability that commissions from S4C bring to the production sector in Wales, and the extent to which it provides opportunities for production companies to gain experience and grow.

Our View

The willingness of viewers in the UK to accept certain genres of subtitled programming has shown that programmes can be sold successfully across national and linguistic borders. While the market for Welsh-language programmes is always likely to be significantly less buoyant than for English-language programmes, that is not to say that there cannot be a viable commercial market for the rights to Welsh language programming.

However, the current arrangements, where producers hold all exploitation rights, apart from those granted to S4C for an agreed period, has led in our view to a situation where whatever market there may be for Welsh language programmes is not being exploited to the extent that it could be. This is

²² <http://www.s4c.cymru/gwthiorffiniau/pdf/S4C-Review.pdf>

²³ <http://senedd.assembly.wales/mgConsultationDisplay.aspx?id=251>

²⁴ <http://senedd.assembly.wales/documents/s63691/Paper%203%20Welsh%20only.pdf> (Extract translated)

particularly the case where rights have become dormant and rights owners are making no attempt to exploit those rights.

S4C's entire existence is an intervention in the market, which would otherwise be unable to provide adequately for this particular minority need within UK broadcasting. Even within Wales, S4C is always likely to be serving a minority audience, albeit a very significant minority both numerically and culturally. Having regard to Ofcom's guidance, S4C and producers in Wales could take a different approach to the issue of producers' exploitation rights that would be a reasonable market intervention to ensure that the commercial benefits of material can be maximised. Any additional revenue raised could then be reinvested in Welsh language broadcasting for the benefit of audiences, S4C and independent producers themselves, who are likely to benefit from both greater commercial exploitation of programmes and formats and from the additional revenue that S4C would have for future commissions.

We support therefore, S4C's suggestion that it should be allowed to find ways of working with co-producers to identify commercial potential and market content, while sharing financial risks and benefits.

We note that this may require a change to S4C's code of practice and the rights framework to properly facilitate this change. However, in the meantime we believe that S4C, working with the independent producers, should do more itself to prioritise finding ways of working jointly with independent producers to share risks and benefits and improve the commercial exploitation of programmes.

Recommendation 14. We recommend that the DDCMS review considers what changes are needed to facilitate greater joint working between S4C and independent producers to improve the commercial exploitation of Welsh language programmes through identifying and marketing commercial opportunities and through joint sharing of risks and benefits.

Recommendation 15. We recommend that S4C should prioritise working jointly with independent producers to share risks and benefits and improve the commercial exploitation of programmes.

Industrial Relations

52. We also noted the clear breakdown of relations between the Trade Unions working in the independent sector and some of the producers themselves. This is a relatively small sector and it is regrettable that relations between Trades Unions and employers have broken down to such an extent in some cases. We would urge independent producers to recognise the value that Trade Unions can bring and work closely with them to address the concerns of their members.

Cultural Impact

53. The Minister for Lifelong Learning and the Welsh Language's written evidence²⁵ stated that S4C has "an important part to play" in delivering the Welsh Government's goal of a million Welsh speakers by 2050. He also claims that S4C has a "key role in supporting skills development and has the opportunity to potentially do more in this area", working in partnership with bodies including the

²⁵ <http://www.senedd.assembly.wales/mgConsultationDisplay.aspx?id=251>

Welsh Government's Creative Wales (a body to support the creative industries) when it is established. S4C told the committee about the importance of collaboration between broadcasters, producers and the public sector in terms of developing skills within the industry. It noted that²⁶:

“In the past, bodies such as Creative Skillset Cymru and Cyfle have ensured that suitable co-operation has taken place between the three elements of the chain. However, the loss of both bodies shows how difficult it is to maintain structures, at a Welsh level, which are sufficiently strong to bring all of the elements together.”

54. Pushing the Boundaries²⁷ notes the strong connection between S4C's activities and efforts to sustain and promote the Welsh language. It notes the scarcity of Welsh-language digital resources, and concludes that “delivering S4C's vision for the future will have a direct impact on the maintenance of the cultural ecosystem necessary for the language to continue to flourish”. The channel states that, thus far, its activity to promote life-long learning has been “piecemeal”, and that in future it will “take a more holistic and deliberate approach”, including:

- encouraging and supporting language transfer, e.g. through Cyw, our pre-school service, and Dal Ati, our offer to new Welsh speakers;
- supporting the education system and curriculum through commissioning drama or factual series that reflect themes within the curriculum;
- making a greater range of all-age-group content resources widely available and easily accessible for both formal and informal learning. This will build on partnership work already begun with the Coleg Cymraeg as well as working with educationalists to ensure that issues that affect young people today – from cyber bullying to revenge porn - are reflected in some of the content created for this audience; and
- playing an active role in boosting media and digital skills including disciplines on which the Welsh production sector is dependent.

55. S4C told the committee that “the success of S4C as a media content provider on all platforms ... is central to the growth of the Welsh language in the future”. However, it went on to note that²⁸:

“...care must be taken regarding the idea that S4C's formal mission should be to promote the specific objective of any government. The independence of public broadcasters from political influence, however noble the aim, is a fundamental principle in the Western public broadcasting tradition, of which S4C is proud to be part.”

Our View

The fundamental reason for S4C's existence is to support, foster and strengthen the Welsh language in Wales. It does that through providing high quality entertainment and programming for Welsh

²⁶ <http://senedd.assembly.wales/documents/s63691/Paper%203%20Welsh%20only.pdf> (Extract translated)

²⁷ <http://www.s4c.cymru/gwthiorffiniau/pdf/S4C-Review.pdf>

²⁸ <http://senedd.assembly.wales/documents/s63691/Paper%203%20Welsh%20only.pdf> (Extract translated)

speakers in their language of choice. It is an absolute prerequisite of any wider policies to support the Welsh language that a service like S4C exists to provide a modern and vibrant context for the use of the language.

The question then arises, should S4C do more to support, or work with, the Welsh Government in helping it to meet its objectives for the Welsh language, such as the ambition to create a million Welsh speakers by 2050. If it does, will this in some way compromise its political independence as a broadcaster?

We recognise the dangers of S4C being perceived to be helping implement Government policies. Having said that we believe there are areas where S4C and the Welsh Government could work together more closely toward what is after all a shared goal of supporting the Welsh language. That should stop short of supporting specific Government policies. Nevertheless, there may be scope for the Welsh Government to commission particular pieces of work or output from S4C that would help support the aim of supporting the Welsh language.

Recommendation 16. We recommend that the Welsh Government considers how it might work with S4C to commission work or content aimed at supporting its objectives for supporting the Welsh language.

07. Relationship with the BBC and wider collaboration

56. The Broadcasting Act 1990 requires that the BBC provides no less than 520 hours of content per annum to S4C. The programming comprises news and current affairs, live sport, Pobol y Cwm and extensive coverage of the National Eisteddfod. The value of this programming in 2017-18 is £19.4m p.a.

57. BBC Cymru Wales noted that, in addition to the statutory 520 hours p.a., the broadcaster collaborates with S4C on making programmes that benefit English and Welsh speaking audiences. It notes the crime drama Y Gwyll/Hinterland as an example of this approach, and that “similar drama and factual projects are in development”²⁹. Wider collaboration between the BBC and S4C includes:

- access to the BBC’s news-gathering functions for the Newyddion 9 programme (which itself is part of the 520 hours);
- sports programming – which is provided to S4C by the BBC without charging for any of the programming rights;
- access to the BBC iPlayer on a “not for profit” basis; and,
- privileged access for S4C-commissioned programmes to the BBC Cymru Wales programming archive on “terms unavailable to other broadcasters”.

58. Television production company Boom Cymru told the Committee that there is scope for more co-production between S4C and other broadcasters, including the BBC and ITV.

59. The Minister’s paper³⁰ stated that, following a number of changes wrought by the new BBC Charter, “it is vital the partnership between S4C and the BBC is updated and renewed, to support and enable the growth and diversification of S4C’s services in a multi-platform world”. Furthermore, the Minister feels that S4C should “strengthen existing ties with organisations such as the Arts Council of Wales, the Welsh Books Council and other partners”. He states:

“S4C should ensure that it commissions more programming based on intellectual property (IP) from and about Wales and that it builds a converged, multi-platform offering around that IP in partnership with others (e.g. the potential for book / online / gaming tie-ins). This would deliver a richer and more engaging offering and support further growth in the creative sector in Wales.”

60. Ron Jones from Tinopolis had previously suggested to the Committee that “the current review is an opportunity to put in place a new enhanced body fit for the digital age”. He noted the wide variety of public-sector interventions in Welsh-language media – from funding for S4C to the Welsh Books Council – and states that “there is merit in bringing the setting of strategy, the funding and the delivery of these products and services together”³¹

²⁹ <http://www.senedd.assembly.wales/mgConsultationDisplay.aspx?id=251>

³⁰ <http://www.senedd.assembly.wales/mgConsultationDisplay.aspx?id=251>

³¹ <http://www.senedd.assembly.wales/mgConsultationDisplay.aspx?id=251>

61. In the Committee's 'Big Picture' report³² the Committee came to the following conclusions:

"We value the independence of S4C and we believe the cooperation between it and BBC Cymru Wales has benefited audiences. Although it may have initially been something of a marriage of convenience, S4C and the BBC appear now to have forged their relationship into one that is mutually-beneficial.

While we accept that it will need to change and develop in the light of changing circumstances, such as the new BBC Charter, we believe that the relationship should continue as a mutually-beneficial collaborative relationship, both creatively and in use of resources. We would be concerned if the relationship were to slide back into one based simply on contractual obligations or accounting."

Our View

We remain of the view set out above. However, the benefits of collaboration are likely to extend beyond the BBC alone. A number of those who have given us evidence have emphasised the need for S4C to work with other organisations who are involved in providing Welsh-language media across a variety of platforms. We are of the view that there is considerable merit in this and that S4C's remit should include in future an expectation that it will collaborate with organisations in Wales that are involved in providing Welsh language media across different platforms.

Recommendation 17. We recommend that S4C's remit should include a specific requirement to work in collaboration with the BBC and other organisations in Wales that provide or support Welsh-language media across a variety of platforms.

However, collaboration cannot be all one way. The place of the Welsh language in Wales and on the broadcast media in Wales should not be confined to S4C alone. There is a recognition among broadcasters in Wales that the use of the Welsh language needs to be 'normalised' by showing Welsh language content on other channels. The requirements placed on other public service broadcasters in Wales should formally recognise this by placing requirements on them to provide part of their content in Welsh. This could be through specific programmes, sub-titling or simply by using the language regularly in continuity announcements etc.

This need not be an onerous duty and can be done entirely naturally. For instance, when BBC journalists carry out interviews with public figures and members of the public in Wales, they will often do so twice. Once in Welsh and once in English. Where the original interview is in Welsh, and the interviewee prefers to use Welsh, then subtitling of the interview may be a better and more natural option than carrying out a second interview.

Recommendation 18. We recommend that all public sector broadcasters in Wales should be required to provide part of their content in Welsh.

³² <http://www.assembly.wales/laid%20documents/cr-ld10916/cr-ld10916-e.pdf>

Annex A – Oral evidence sessions

The following witnesses provided oral evidence to the Committee on the dates noted below.

Transcripts of all oral evidence sessions can be viewed in full at:

<http://senedd.assembly.wales/mglIssueHistoryHome.aspx?Id=15157>

Webcasts are available at: www.senedd.tv

Date	Name and Organisation
2 March 2017	Huw Jones, Chair of the S4C Authority Ian Jones, Chief Executive Phil Henfrey, Head of News and Programmes, ITV Wales Cymru Geraint Evans, Editor, Welsh Language Programmes, ITV Cymru Wales
8 March 2017	Dr Ruth McElroy, Communication, Cultural and Media Studies Research Unit, University of South Wales Huw Marshall, Consultant Digital Strategist
16 March 2017	Iestyn Garlick, Chair of TAC Gareth Williams, Council Member for TAC
30 March 2017	Ron Jones, Executive Chairman, Tinopolis Group Nia Thomas, Managing Director, Boom Cymru Simon Curtis, National and Regional Organiser - Wales and South West England, Equity David Donovan, National Officer for Wales, BECTU Wales Siân Gale, Chair, S. Wales Freelance Branch, BECTU Wales Hywel William, Member of the Ofcom Advisory Committee for Wales Glyn Mathias, Member of the Ofcom Advisory Committee for Wales
5 April 2017	Rhodri Talfan Davies, Head of BBC Cymru Wales Siân Gwynedd, Head of Content Production, BBC Cymru Wales
10 May 2017	Alun Davies AM, Minister for Lifelong Learning and Welsh Language Paul Kindred, Senior Policy Analyst
18 May 2017	Huw Jones, Chairman, S4C Authority Ian Jones, Chief Executive, S4C

Annex B – Written evidence

Evidence to the committee was received throughout the inquiry. The Committee Consultation ran from Monday, 6 February 2017 to Friday 3 March 2017. The responses we received are listed below and are available in full at: <http://senedd.assembly.wales/mgConsultationDisplay.aspx?id=251>

Reference	Organisation
FS4C01	BBC Wales
FS4C02	Sian Morgan Lloyd and Dr Caitriona Noonan, Cardiff University
FS4C03	Cymdeithas yr Iaith (Welsh Only)
FS4C04	Equity
FS4C05	Institute of Welsh Affairs
FS4C06	J Y Comben
FS4C07	Pact
FS4C08	Rondo Media
FS4C09	TAC
FS4C10	Huw Marshall
FS4C11	Tinopolis
FS4C12	Welsh Language Commissioner