



National Assembly for Wales, Communities, Equality and Local Government Committee

Task and Finish Group inquiry into the media in
Wales

BBC Cymru Wales management evidence

October 2011

1. Overview

BBC Cymru Wales has always been more than just a broadcaster – it is one of the nation's cornerstones. High quality content, in both Welsh and English, across television, radio and interactive services, helps the audience to make sense of modern Wales and explore the nation's cultural, social and political diversity. Our growing slate of high-profile content for the BBC's networks provides a pan-UK and global stage for the very best talent.

BBC Wales' centres in Cardiff, Bangor, Wrexham, Swansea, Carmarthen and Aberystwyth employ approximately 1200 staff, as well as several hundred freelancers and contractors during peak production periods.

In 2010/11, BBC Wales spent £72m¹ on content and services for audiences in Wales. This investment delivered:

- 708 originated hours of Wales-specific programmes for BBC One Wales and BBC Two Wales, and an average reach of 1 million – the best performance for many years
- BBC-produced programming for S4C, under the statutory requirement to supply at least 10 hours of television programming each week to the channel. This provision for S4C is built around three core pillars that are mainstays of S4C's schedule – journalism, daily drama and live rugby. BBC programming on S4C reached an average of 190,000 each week in 10/11
- Two national radio services – BBC Radio Wales and BBC Radio Cymru. The stations attracted a weekly reach of 468,000 and 150,000 respectively in 10/11. A recent BBC Trust review found that both services are providing high-quality, distinctive programmes, and are valued by listeners
- A broad range of interactive digital services in both languages attracting 1.4m weekly unique users per week.

BBC Wales makes a major contribution to BBC network services across TV, radio and online. The value of BBC TV network production in Wales – produced both in-house and by independent companies – was £52m in 2010/11. Programming highlights included *Sherlock*, *Human Planet*,

¹ This figure excludes pan-BBC overhead adjustments

Doctor Who, Upstairs Downstairs, Crimewatch and Being Human. They made an indelible mark with audiences in Wales, across the UK, and beyond. *Sherlock*, for example, attracted an average UK-wide audience of 8.7m and has been sold to 183 territories worldwide.

In September the long running BBC One medical drama *Casualty* began production at Roath Lock. The studios will provide a permanent purpose-built home to BBC Wales drama. The 175,000 square foot facility was completed in 13 months and its recent opening marks the beginning of a new chapter for drama production in Wales.

The BBC National Orchestra of Wales is the only professional symphony orchestra in Wales. It is housed in BBC Hoddinott Hall, a bespoke facility at the Wales Millennium Centre, and regularly performs across Wales and beyond.

2. Delivering Quality First

2.1 Context

In October, the UK Government and the BBC agreed the licence fee should remain at £145.50 until the end of the Charter in 2017— giving certainty of funding for the next six years— and that the BBC would fund extra broadcasting-related activities consisting of:

- The BBC World Service and BBC Monitoring
- An expanded partnership with S4C
- Support for new local television services
- Raising and extending the current ring-fence in the licence fee for digital TV switchover from £133m a year to £150m a year, repurposed to support broadband roll-out.

In order to allow the BBC to absorb inflation and fund these new commitments, the BBC's Director-General set the organisation a challenge, under the Delivering Quality First initiative, to deliver savings of 20% over the five years between 2012/13 and 2016/17. Reaching this target figure will enable the BBC to reinvest 4% in new priorities, including digital innovation.

2.2 BBC Wales' Financial challenge

Under Delivering Quality First – and subject to the current consultation by the BBC Trust – BBC Wales has been tasked with reducing its expenditure by 16% over the next five years. That equates to a total of £10.7m by

2016/17. This figure excludes BBC Wales' spend on programming for S4C, the orchestra and network commissioned productions².

BBC Wales has decided to protect programmes and content spend as far as is possible by seeking deeper savings from overhead costs and support departments.

Over the five-year period between 2012/13 and 2016/17, BBC Wales expects to deliver a 25% reduction in its non-content spend. As a result the level of content budget reductions facing output areas is expected to be limited to an average of 10% between 2012/13 and 2016/17.

The majority of these savings will be delivered in 2012/13 and 2013/14. This means that whilst the next two financial years will undoubtedly be challenging, BBC Wales' financial position will remain relatively stable for the final three years of the licence fee period.

Achieving these savings targets will lead to the estimated closure of between 110 and 125 posts over the next five years, whilst between 18 and 24 new posts will be created in priority areas such as news and peak radio hours.

While DQF will lead to an overall reduction in BBC network production budgets, Wales will enjoy significant new investment due to the BBC's ongoing commitment to increase the share of network production produced by the devolved nations.

2. 3 BBC Wales' approach to reducing editorial budgets

BBC Wales' response to the DQF challenge was based on a root and branch review of BBC Wales services, led by workstreams across the organisation and informed by the BBC's Putting Quality First strategy.

That work was instrumental in shaping the key priorities of BBC Wales. These priorities fall into six areas:

- High-quality, agenda-setting journalism that reflects every part of Wales
- factual and knowledge-building output that gets under the skin of Welsh life
- expert coverage of major events and sports that bring the nation together

² The BBC's expenditure on programmes for S4C from 13/14 will be informed by a new strategic partnership, to be agreed between the BBC Trust and S4C Authority. A review of all BBC Orchestras is currently being conducted.

- developing Wales' reputation as a world class centre of drama, factual and music production
- supporting contemporary culture and music
- partnering with others for the benefit of audiences and national life to build a stronger, shared public space for Wales.

By setting these clear priorities in Wales, BBC Wales has been able to carefully protect the content that matters most and in some cases to increase or ring-fence budgets in key areas of spend. For example, there will be reinvestment in political, specialist and agenda-setting journalism on daily news and the proportion of spend on Radio Wales and Radio Cymru's peak time schedules will increase.

Reductions in programming have been targeted, wherever possible, at times in the radio and television schedules where fewer people watch or listen. In television, this means that there will be a higher level of reduction to BBC Two Wales output. Radio savings will be delivered in off-peak hours as far as possible.

2.4 Content impact overview

In October 2011, BBC Wales announced the following editorial changes – both to protect key areas of output and to meet the 16% savings challenge.

2.4.1 News, politics and current affairs

- BBC Wales will not be reducing the volume of daily news output and will apply a lower efficiency target in this area given its very obvious importance to the audience
- In order to strengthen specialist news coverage of Wales, Economics and Culture Correspondents will be appointed. An additional reporting post for the south Wales valleys will be created.
- To encourage a wider range of perspectives and voices in our journalism, a new weekly programme will be launched in 2012 on BBC One Wales. This flagship programme will have politics at its heart but will also encompass a wider Welsh public life agenda. This will be produced by the independent sector and will replace the current *Dragon's Eye* next Autumn
- The *Week In Week Out* budget will be ring-fenced and independent producers will be invited to contribute to the run

- BBC Wales will increase coverage of politics in daily news output, with the creation of two new reporting posts. The current Wednesday afternoon edition of am:pm broadcast on BBC Two Wales will cease and our live TV coverage of the Spring Conferences will be reviewed.

2.4.2 Radio

- Radio Cymru and Radio Wales will continue to showcase new Welsh music, invest in drama and comedy, and commission weekly arts programmes. Dedicated weekly political programming will continue on both services
- Comprehensive coverage of major sporting and cultural events will be maintained, including the National Eisteddfod and Royal Welsh Show
- The number of off-peak programmes broadcast on both services will be reduced over the five-year period. Investment in long-form documentary and feature programming on Radio Wales and Radio Cymru will decrease by up to 25%
- Both services will continue to seek further efficiencies in content production
- Investment in peak time radio schedules will increase, including the establishment of a dedicated team on Radio Wales and Radio Cymru to deliver high impact journalism for our flagship news programmes *Post Cyntaf* and *Good Morning Wales*. This team will be partly funded through a reduction in the number of long-form current affairs programmes currently broadcast by the stations outside peak hours
- The FM coverage of BBC Radio Wales will be increased, enabling a potential 200,000 extra listeners in south-east Wales to listen to the station on FM for the first time.

2.4.3 English language TV:

- Investment in landmark documentaries and drama will be maintained with the aim of broadcasting more content in peak on BBC One Wales.
- The volume of BBC Two Wales output will reduce, particularly outside peak hours

- Additional investment will lead to the launch of BBC One Wales HD in 2012 across Freeview, satellite and cable
- BBC Two Wales will be maintained in standard definition (SD), pending a further strategic review of the long-term future of the BBC Two variants in Wales, Scotland and Northern Ireland in 2015
- Sports rights investment will be focused on those events that provide greatest value and impact for audiences (including live TV coverage of domestic and international rugby, and, where possible, coverage of international football)
- BBC Wales will continue to seek productivity efficiencies within production areas – both in-house and independent
- BBC Wales will work with BBC network teams and S4C to identify opportunities for co-commissions that maximise the impact of more limited investment funds.

2.4.4 Network production

The opening of the purpose-built drama production facility, Roath Lock, underlines the BBC's commitment to the continued development of Wales as a major network production centre. *Casualty* and *Upstairs Downstairs* have begun production at the centre since its opening in September 2011 with productions such as *Doctor Who* and the daily Welsh language drama, *Pobol y Cwm* set to follow. The 'Doctor Who Experience' centre, run by BBC Worldwide, is being built next to Roath Lock in partnership with Cardiff Council, and is scheduled to open in 2012.

As part of the BBC's Delivering Quality First initiative, the BBC has committed to continue to grow its investment in network production in the nations on television and radio. It expects the existing 17% target for network television programmes to be produced in Wales, Scotland and Northern Ireland to be met earlier than the target date of 2016, and to be exceeded by 2017. Under these proposals, BBC Wales' strength as a key base for Drama will be maintained and its specialism in Documentaries and Features will grow.

Alongside the growth in network production, the BBC recognises the need to develop portrayal and representation of Wales on network services. This will be achieved in part by seeding more programme development funding across the UK and through further shifts of commissioning outside London. As part of these proposals, a new BBC Head of Documentaries post will be based in Wales.

The BBC believes that showcasing more content made specifically for the Welsh audience on network channels could also strengthen portrayal of the nation to the rest of the UK. There is scope to bring output such as *Snowdonia 1890*, *Baker Boys* and *Rolf on Art* to audiences around the UK.

3. Preparing for a digital future

Innovation in technology has always been a vital part of the BBC's mission, and it remains committed to ensuring that the benefits of digital technology are as widely and freely accessible as possible.

The BBC is preparing for a fully digital, interactive future. The current media consumption habits of a small but significant part of the audience point to the changing nature of media engagement. These 'early adopters' are prodigious media consumers – accessing content across TVs, PCs, mobiles and tablets.

This seamless consumption of content across platforms is set to develop into mainstream behaviour. The use of the mobile web, in particular, is increasing exponentially. Fuelled in no small part by social networking, it is forecast that 50% of UK adults will own smartphones by the end of next year.

The first priority for Wales should be to lay the foundations for digital access – this means the development of universally accessible, high speed, fixed and mobile broadband networks. As part of the licence fee agreement the BBC will contribute £150m per annum to support broadband rollout across the UK, for the duration of the current licence fee period.

As these digital foundations are put in place, the BBC will initiate a major new approach to digital innovation focused on uniting BBC channels, networks and online content across four screens of the digital age – TVs, PCs, mobiles and tablet devices. It will deliver richer content through integrating linear and non-linear services and by making its content more social and personal. It will present the audience with greater choice by allowing access to services seamlessly across platforms. These services and content will be open to all.

Beginning this year, 'nations editions' of bbc.co.uk will be rolled out which will help audiences in Wales find content about their nation more easily. As BBC Wales approaches its 50th anniversary, it will also aim to provide audiences with permanent access to its extraordinarily rich back catalogue which is of historical importance to the nation.

BBC Wales will also explore new ways of enabling others to benefit from its investment in content and innovation – through increasing access to

content, by supporting initiatives such as local television and by sharing technical platforms and expertise.

In the Welsh language interactive sphere, the challenge is to grow usage on platforms that are dominated by global international languages. BBC Wales believes that achieving impact with a broad Welsh speaking audience can only be delivered through producing content that adds value and complements services available in English, rather than attempting to replicate content available elsewhere.

4. The BBC's partnership approach

The commercial sector, across print and broadcasting, is facing severe challenges in the face of structural and consumer change. Whilst the licence fee settlement has presented the BBC with its own funding challenges, the BBC recognises that its certainty of funding grants it a privileged position within the Welsh broadcasting landscape.

This external weakness means that the BBC has unique responsibilities in sustaining a diverse public space in Wales. It will seek to be more open and ambitious in the way it partners with others for the benefit of audiences and national life, by adopting a more proactive approach to reaching out to other organisations.

BBC Wales can leverage its scale, funding, creativity, innovation and heritage to deliver considerable additional value to Wales' media and cultural sectors. At a time of constrained finances there is an even greater imperative to focus on creative partnerships and collaborations.

In recent years there have been a number of highly visible partnerships between BBC Wales and other bodies – ranging from Cadw's work on Coal House to our partnerships with the Welsh National Opera and the National Theatre of Wales.

BBC Wales is committed to working with others to develop the next generation of creative and media talent. It has entered into a broad range of partnerships with Higher Education Institutions across Wales. Examples include the offering of bursaries and work experience placements to students at the Cardiff University School of Journalism and the opening in January 2011 of BBC Wales offices at Glyndwr University's new Creative Industries building – leading to a deeper relationship between both partners.

In conjunction with Skillset Cymru and the independent sector, BBC Wales has recently established Apprenticeships in Creative and Digital Media to provide a broad introduction into working in the creative media industries. Up to 24 Apprentices will gain on-the-job, practical training

and experience as well as classroom-based learning, leading to an industry recognised qualification. Twelve-month work placements will be available with BBC Cymru Wales and with independent companies.

4.1 Partnership with S4C

The BBC has, of course, a long history of partnership with S4C. Since the establishment of the channel in 1982, the BBC has contributed at least 10 hours of licence-fee funded programming a week to S4C. In 2010, the Government unveiled a significant extension to this partnership, with the decision that the channel would, in future, be primarily funded by the licence fee, rather than the UK Government.

On the 25th of October 2011, the BBC Trust, S4C Authority and DCMS announced that an agreement had been reached on the future funding, governance and accountability of S4C until 2017.

The arrangements will protect the editorial and managerial independence of S4C, whilst safeguarding appropriate accountability to the BBC Trust for licence fee funding spent by the service. The establishment of a broadly stable funding position until 2016/17 reflects the BBC Trust's commitment to supporting a strong Welsh language service.

Work on this new partnership took many months but BBC Wales believes that those negotiations have resulted in a sensible and balanced agreement which respects the roles of both broadcasters. It will allow for the beginning of a new chapter in the relationship between BBC Wales and S4C. The detail of that agreement is included in Appendix A.

BBC Wales' programme supply to S4C is governed by a strategic partnership between the BBC Trust and S4C Authority. In order to provide further certainty for S4C in relation to the BBC's financial support over the next six years, the BBC wish to begin work immediately on renewing the existing strategic partnership to run until the end of the licence fee period in 2016/17.

BBC Wales will continue to work together with S4C to explore the scope for collaboration across a wide-range of areas, including marketing, research, distribution and technology. There is potential to release considerable additional investment for content through elimination of unnecessary technological and operational duplication.

Whilst recognising the paramount importance of safeguarding the editorial independence of both broadcasters, BBC Wales believes that the audience in Wales will benefit from a more open and trusting editorial partnership between both broadcasters. There is considerable scope to jointly explore programme ideas, to engage in more strategic discussions

about the challenges facing the Welsh language and to collaborate more in the online, digital space.

BBC Wales and S4C will continue to assess longer-term partnership options, including the strategic benefits of co-locating both organisations – and potentially ITV – at a single media centre. The potential to develop an integrated hub for content production in Wales has been prompted by the technological and infrastructure challenges posed by BBC Wales' existing HQ building; significant investment is required to maintain and improve its ageing broadcast infrastructure.

Such a development could encompass not only the major broadcasters, but also the wider media sector. It would hold the prospect of also bringing together independent producers, academic and training institutions and facilities houses to create a significant media cluster that would maximise synergies and spark sustainable creative and economic growth in Wales. But at a time when the BBC is making significant cuts across the organisation, turning this vision into reality can only be achieved if the development is cost-effective, delivers value for money and ensures that BBC Wales is fit for the future.

Appendix A

S4C GOVERNANCE AND ACCOUNTABILITY SUMMARY POSITION

For the period when S4C will be majority funded by the licence fee, we agree the following position on governance, accountability and funding. This position is subject to successful passage of the Public Bodies Bill.

Governing board: S4C Authority

- The governing body of S4C will be a reconstituted S4C Authority.
- There should be nine (9) members of the Authority, including the Chairperson.
- The chair of the Authority will be appointed solely by the Secretary of State, through a public appointments process.
- The other members of the Authority shall be selected through a public appointments process including a panel that includes: the BBC Trust, S4C, DCMS and Welsh Government representation.
- The BBC Trust member for Wales may be one of the members, if the Trust wishes.
- All members of the Authority will agree to successful delivery of the S4C Operating Agreement and S4C's statutory remit as part of their terms of appointment.
- There should be transitional arrangements agreed prior to licence fee funding being provided (e.g. for the selection of new members and appointment of BBC Trustee).

Operating Agreement

- The Operating Agreement will be the key accountability document between the BBC Trust and S4C.
- The Operating Agreement will be developed collaboratively in partnership with S4C and will involve audience/public consultation. In the unlikely event that a collaborative process does not reach mutual agreement, the BBC Trust reserves the right to set out the final provisions of the Agreement before transferring funding to S4C. The Operating Agreement will last for the period until the end of the BBC's Charter.
- The Operating Agreement will specify the scope of the service to be funded through the licence fee, incorporate a requirement and set a target for efficiencies to be achieved in S4C's operations, establish the performance targets and accountability requirements, and shall be consistent with S4C's statutory remit.
- It will ensure the editorial and managerial independence of the S4C service

- The BBC Trust will undertake an annual performance assessment, measuring performance against the terms of the Operating Agreement, this assessment will be made public.
- If, in the reasonable opinion of the BBC Trust, the terms of the Operating Agreement are not being met there will be provisions that require the BBC Trust to allow time for S4C to rectify the issue. There will also be a dispute resolution clause that provides for discussion between the respective chairmen. There will be the ability for the BBC Trust, in extremis, to reduce or withdraw funding if these provisions have been exhausted without satisfactory resolution and, in the reasonable opinion of the Trust, the terms of the Operating Agreement are still not being met. Any decision to do this will be made openly and transparently.

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- The existing programming provided by the BBC to S4C will continue to be governed by a separate agreement.
- The Secretary of State will not be a party to the Operating Agreement, however his duty to secure sufficient funding for S4C to provide its public service duties is set out in the Public Bodies Bill.

S4C management structure

- The S4C management board will be chaired by the S4C Chief Executive and will consist solely of S4C executives. There will be no BBC membership of the management board.
- The Operating Agreement will require that there be joint quarterly meetings of the S4C management board and the BBC Wales management board to oversee progress on efficiencies, with a joint partnership board focused on delivery. The chair of this group will rotate between the S4C CEO and Director, BBC Wales.
- The joint partnership board will deliver closer collaboration between S4C and the BBC, contributing to the efficiency targets established in the Operating Agreement, as well as BBC Wales' own efficiency targets. Any savings that S4C realised from such collaboration would be reinvested in S4C content.

Funding

- The BBC Trust has confirmed that, subject to final agreement on governance and accountability as above, it will provide the following amounts of funding from the licence fee to S4C: in 2013/14, £76.3m; in 2014/15, £76m; in 2015/16 £75.25m; in 2016/17 £74.5m.
- Funding for S4C in the future will be from three sources: the licence fee, HMG grant-in-aid, and commercial income.

Accountability

- Accountability for the licence fee will be to the BBC Trust.
- Accountability for the grant-in-aid will be to Parliament.
- S4C Authority will produce a single set of annual accounts, presented first to the BBC Trust and then to the Secretary of State, who will present it to Parliament. The BBC Trust will provide a covering statement to be included within the report prior to transmission to the Secretary of State/Parliament. The report will be published.
- S4C will retain its commercial freedom and S4C's commercial activities shall continue to operate in accordance with the statutory framework.

- NAO access to the licence fee being spent on S4C service will be in the same manner that is provided to any other licence fee funded service, i.e. via the BBC Trust.
- The Trust will continue its Charter-defined role as guardian of the licence fee revenue.

AGREED BETWEEN THE BBC TRUST AND S4C AUTHORITY

25 October 2011

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