

Written Response by the Welsh Government to the report of the Culture, Welsh Language and Communications Committee – Outside the Box – The Future of S4C

October 2017

We welcome the findings and offer the following response to the recommendations in the report.

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

Response: Accept

It is vital that S4C's remit is amended to reflect the significant digital developments during the last few years. It is vital that S4C's remit both reflects and allows it to properly engage with our fast-evolving, multi-channel/multi-platform world. Licence fee payers now expect to have access to the content provided by the UK's public service broadcasters via multiple platforms, in linear broadcast or at a time that suits them - from wherever they are (in the UK or beyond). This applies equally to Welsh language content, so S4C must be empowered so that it can meet these needs now and adapt as required in future.

Financial Implications – None

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

Response: Accept

S4C has a key, ongoing role to play in ensuring that the Welsh language continues to thrive. It helps to establish and enliven Welsh as part of everyday life in Wales, and its services for children and young people make an important contribution to increasing their use of Welsh. Through its factual, historical and cultural programmes, S4C enriches Welsh society. S4C continues to have an important role in helping people from all backgrounds to learn the Welsh language, with a range of broadcast and online resources.

Financial Implications – None

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.

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

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.

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

Response: Accept

It is vital that the review of S4C commissioned by the Department for Digital, Culture, Media and Sport considers S4C's funding requirements. The significant financial cuts the channel has received during recent years must be acknowledged and fully taken into account when S4C's funding requirements for the future are considered.

The Secretary of State for Digital, Culture, Media and Sport has a statutory duty, as outlined in the Public Bodies Act 2001 to ensure that S4C receives sufficient funding. Since the Comprehensive Spending Review in 2010, the Welsh Government has consistently expressed its real concern about the impact that further funding cuts will have on S4C. We have regularly stressed to the UK Government that it is vital S4C has sufficient funding, as well as editorial and managerial independence, for it to maintain its ability to serve the Welsh audience and continue to play a crucial role in supporting both the Welsh language and the creative industries in Wales - but S4C has found itself in a very different position since the 2010 Spending Review. Now, 90% of S4C's funding comes from the licence fee.

The Welsh Government was fully involved in the BBC Charter Review process and we are pleased that the new BBC Charter provides a renewed commitment to Welsh language services. The accompanying Framework Agreement reaffirms the BBC's partnership with S4C, "working together to observe and safeguard the independence of both". It also provides a strong financial settlement in relation to the licence fee element of S4C's funding, which is vitally important for S4C to continue to develop its services.

The uncertainty regarding future funding during recent years has made forward planning very difficult, for both S4C and the independent production companies who are some of its key suppliers in Wales. Although the

settlement provides S4C with financial stability until 2022, the fact that there was no increase in funding, as there was no allowance for inflation, will naturally provide significant challenges for the channel. Hopefully a number of announcements during recent months will stabilise S4C's financial position. These include the UK Government's package of additional capital and loan funding, plus the Welsh Government's decision to allocate £3m of capital funding to support Yr Egin - a project that intends to establish an innovative hub for the creative Industries in Carmarthen, based around S4C's new headquarters,

Financial Implications – None

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.

Response: Accept

The UK Government has not offered to devolve policy or funding responsibility for S4C and it remains the Welsh Government's view that broadcasting or elements of broadcasting should not be devolved. There could also be significant financial risks to devolving broadcasting as there is no guarantee that budgets would be transferred as well.

There is little doubt that the broadcasting structures currently in place will continue to evolve. The significance of broadcasting to our emerging devolved life is such that arrangements have to be found, within the existing constitutional settlement, that allow the interests of Wales to be debated, understood and argued for. As a Government, we will continue to monitor developments and be proactive in this debate, to ensure that any changes protect and serve the best interests of the people of Wales.

Financial Implications – None

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

Response: Accept

We welcome the fact that S4C will now lay its annual report and accounts before the National Assembly.

The Welsh Government welcomed the references in the St David's Day Command Paper to increasing the accountability of broadcasters including S4C.

Overall regulation of broadcasting should remain with the UK Government, but this does not mean that the public service broadcasters should only be

accountable to Westminster. We have regularly referred to the importance of improving the accountability of UK broadcasting institutions to the National Assembly and to Welsh viewers and listeners.

We have called for some time for the governance of broadcasting structures to reflect the reality of devolution. We worked hard to ensure that the new BBC Charter mandates the BBC to deliver a lot more for the people of Wales, and that it provides appropriate accountability for the BBC to the National Assembly for Wales. As we prepare to appoint the member for Wales to the Ofcom Board for the first time, we are conscious of the need to ensure similar arrangements for the other broadcasters as well as Ofcom itself.

Financial Implications – None

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 and pre-loaded applications.

Response: Accept

We agree with the principle of ensuring that S4C receives greater prominence in Wales on EPGs and smart television applications.

Financial Implications – None

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

Response: Accept

The Welsh Government has always emphasised that it is vital that S4C has editorial and managerial independence and this should be protected in any future governance arrangements.

Financial Implications – None

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

Response: Accept in Principle

The Welsh Government would welcome a service licence for S4C regulated by Ofcom, as long as it is properly robust and fit for purpose. The Welsh Government as well as the National Assembly for Wales should have an input in developing this service licence. The Welsh Government was of course closely involved in the development of the new BBC Charter, which led to its regulation by Ofcom, and had responded in detail to Ofcom’s recent

consultation on the BBC Operating Licence. We have challenged Ofcom to strengthen the draft BBC licence in a number of areas and it remains to be seen whether Ofcom will respond positively to this and set a licence which will allow the BBC to be properly held to account for the delivery of the services we need in Wales. This is also the approach that would need to be taken in any licence that might be set by Ofcom in due course for S4C.

Financial Implications – None

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.

Response : Accept in Principle

This would be a very significant change, but the Welsh Government would be content to discuss this further with the UK Government and S4C. It would be appropriate to consider this alongside any proposals which may be brought forward to transfer regulatory responsibility to Ofcom - in fact, these two proposals should be considered together, as was the case with the BBC. The Welsh Government as well as the National Assembly for Wales should have an input in the development of these arrangements and any Charter that may be required if they are taken forward, to ensure that they are fit for purpose and deliver for the people of Wales.

Financial Implications – None

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.

Response : Accept in Principle

The Welsh Government would be minded to support changes that allow content which has been produced for the benefit of the people of Wales, using public money, to remain available and be distributed in innovative ways to as wide an audience as possible.

Financial Implications – None

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.

Response : Accept in Principle

This is a matter for S4C and the industry in Wales, but the Welsh Government has always supported collaboration and the development of enduring partnerships which promote economic growth and deliver better services to people across Wales.

Financial Implications – None

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.

Response : Accept

The Welsh Government already works in partnership with S4C on a number of initiatives to promote the Welsh language. This should continue and S4C has an important part to play, as an independent broadcaster, in delivering the vision set out in the Welsh Government's Welsh Language Strategy and contributing to the goal of reaching a million Welsh speakers by 2050.

Financial Implications – None

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.

Response: Accept

The Welsh Government welcomed the announcement in 2013 that a six-year agreement had been reached between the BBC Trust and the S4C Authority on the future funding, governance and accountability of S4C. The agreement also, importantly, protected the editorial and managerial independence of S4C. The Welsh Government has been encouraged by the greater collaboration between the BBC and S4C - and also that the Operating Agreement was much wider than the funding and accountability arrangements, extending to a creative partnership at all levels within the BBC and S4C.

We also welcome the strengthened partnership which has developed over recent years between Radio Cymru and S4C. There continues to be only one Welsh language radio service and one Welsh language television service. It is therefore essential that the partnership between these two services should be as imaginative and productive as possible.

Given the fundamental changes contained in the new BBC Charter - to its managerial, governance and regulatory arrangements; to the role of BBC Studios; and to the BBC's strengthened public purposes as they apply to the

nations - 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.

As well as working across platforms, S4C should continue to work in partnership with all relevant stakeholders.

Financial Implications – None

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

Response: Accept in Principle

The Welsh Government naturally welcomes any proposals to extend the use of the Welsh language. This recommendation is obviously a matter for the public service broadcasters that provide services specifically for Wales and we would be interested to hear from them about how this could work in practice.

Financial Implications – None