

National Assembly for Wales
Communities, Equality and Local
Government Committee

Inquiry into the BBC Charter Review

March 2016

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



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Communities, Equality and Local Government Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: 0300 200 6565
Email: SeneddCELG@assembly.wales
Twitter: [@SeneddCELG](https://twitter.com/SeneddCELG)

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Communities, Equality and Local Government Committee

The Committee was established on 22 June 2011 with a remit to examine legislation and hold the Welsh Government to account by scrutinising expenditure, administration and policy matters encompassing: Wales's culture; languages communities and heritage, including sport and the arts; local government in Wales, including all housing matters; and equality of opportunity for all.

Current Committee membership:



Christine Chapman (Chair)

Welsh Labour
Cynon Valley



Peter Black

Welsh Liberal Democrats
South Wales West



Alun Davies

Welsh Labour
Blaenau Gwent



Janet Finch-Saunders

Welsh Conservatives
Aberconwy



Mike Hedges

Welsh Labour
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Mark Isherwood

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North Wales



Bethan Jenkins

Plaid Cymru
South Wales West



Gwyn Price

Welsh Labour
Islwyn



Gwenda Thomas

Welsh Labour
Neath



Lindsay Whittle

Plaid Cymru
South Wales East

The following Member attended as a substitute member of the Committee during this Inquiry



John Griffiths

Welsh Labour
Newport East

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Conclusions and recommendations

Recommendation 1. We recommend that the BBC's statement of public purposes should be strengthened to ensure that the BBC reflects, represents and serves the needs of the UK, its nations, regions and communities.

(Page 14)

Recommendation 2. We recommend that the next Welsh Government establishes, as a matter of priority, an independent media forum for Wales. The role of the forum should include, but not be limited to, reviewing, monitoring and evaluating Public Service Broadcasting provision in Wales and providing expert advice to the Welsh Government. It should draw on expertise from across the media sectors and academia.

(Page 14)

Recommendation 3. We recommend that the BBC develops specific and measureable targets for portrayal of Wales in its network programming. It should report annually on progress against these targets (see recommendation 7).

(Page 22)

Recommendation 4. We recommend that the BBC puts in place arrangements to decentralise commissioning to ensure that network commissioners for the nations and regions are based in those nations and regions.

(Page 22)

Recommendation 5. We recommend that the BBC devolves a greater proportion of network funding to commissioners based in the nations and regions as a means of increasing the range and diversity of output, both locally and for the network.

(Page 22)

Recommendation 6. We recommend that the BBC invests an additional £30 million into the services it provides for Wales.

(Page 28)

Recommendation 7. We recommend that the BBC reports annually to the Assembly on its outputs and operations that are relevant to Wales, and provides an audited statement of accounts.

(Page 35)

Recommendation 8. We recommend that the BBC appears before committees of the Assembly in relation to matters that are relevant to Wales.

(Page 35)

Recommendation 9. We recommend that the fifth Assembly resolves to establish a committee on communications. This committee would ensure that the BBC and other media organisations operating in Wales are held to account publicly for the delivery of their responsibilities and commitments to Wales. (Page 35)

Recommendation 10. We recommend that, as part of the UK Government's review of S4C's remit, governance and funding, S4C's future funding needs are considered on their own merits, separate to the BBC's overall service provision for Wales. (Page 42)

Recommendation 11. We recommend that lines of accountability between S4C and the Assembly are formalised by way of an agreement committing S4C to submit annual reports and audited accounts to the Assembly, and to appear before Assembly committees. (Page 42)

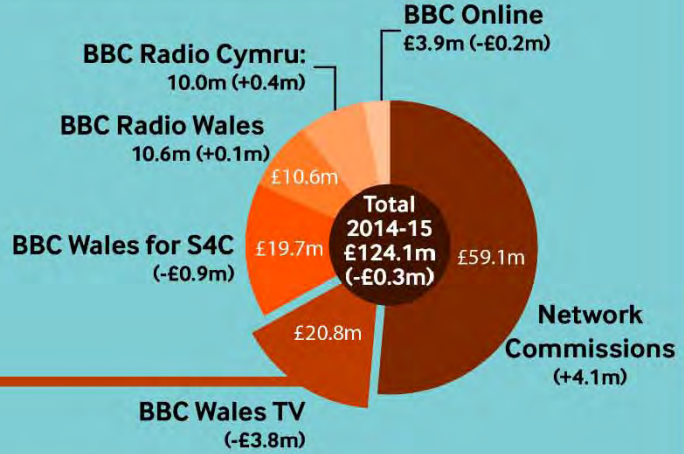
BBC Wales Output Spend



Cynulliad Cenedlaethol Cymru
National Assembly for Wales
Research Service

BBC Wales Output Spend 2006-07 and 2014-15

BBC Wales TV Spend (English Language TV) between 2006-07 and 2014-15

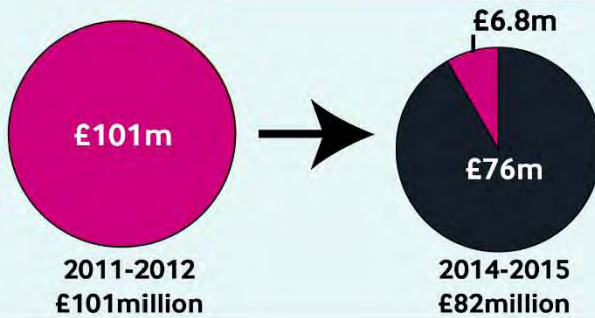


Pan-BBC Performance in Wales 2014-15

Average Weekly Reach* (%)		Average time spent per viewer/listener per week (hh:mm)		Quality**		
	UK	Wales	UK	Wales	UK	Wales
All BBC	97	98	18:10	19:25	6.97 (GI)	7.08 (GI)
All BBC TV	82	85	10:15	12:00	81.1 (AI)	81.6 (AI)
All BBC Radio	65	76	15:40	16:25	80.3 (AI)	82.8 (AI)

*% of the population accessing BBC services, including TV, Radio and internet services.
 **GI = General Impression: Based on the appreciation of the BBC as a whole. Survey scored out of 10 (1=Extremely unfavourable to 10=extremely favourable).
 AI = Appreciation Index: Survey scored out of 10 (1=Extremely unfavourable to 10=extremely favourable). By convention multiplied by 10 to report out of 100.

S4C Funding 2006-07 and 2014-15



Department for Culture Media and Sport

BBC Trust

1. Background

The Charter

1. The [Royal Charter](#) is the constitutional basis for the BBC. It guarantees the BBC's independence from government, sets out the distinct roles of the BBC Executive and BBC Trust, and provides that the BBC is to be funded via licence fee revenue.
2. The first Charter ran from 1 January 1927 to 31 December 1936. Since then, there has been a new Charter every ten years or so.
3. Under the current Charter, the BBC's main objective is to promote its six public purposes:
 - sustaining citizenship and civil society;
 - promoting education and learning;
 - stimulating creativity and cultural excellence;
 - representing the UK, its nations, regions and communities;
 - bringing the UK to the world and the world to the UK;
 - delivering the benefit of emerging communications technologies.
4. Alongside the Charter sits an [Agreement](#) with the UK Government, which provides detail on many of the topics outlined in the Charter.
5. The current Charter will expire on 31 December 2016. The UK Government has started a review process prior to the agreement of a new Charter for the next ten years.

The relevance of the current Charter to Wales

6. As part of the BBC's duty to represent the nations, the Agreement explains:
 - that the BBC should reflect and strengthen cultural identities through original content at a local, regional and national level;
 - that the BBC should promote awareness of different cultures and alternative viewpoints that reflect the lives of different people and different communities within the UK;
 - that the BBC should have regard to the importance of appropriate provision in minority languages.

7. The BBC Trust, as guardian of how the licence fee is spent, in particular should ensure:

- that sufficient time is allocated on BBC One and BBC Two to what appears to it to be a suitable range of programmes of interest to Wales;
- that those programmes are of high quality and that a suitable proportion of them are made in Wales;
- that there is a regular news programme for Wales on BBC One, including at peak viewing times;
- that a suitable number of hours of non-news programmes for Wales is provided.

8. Wales is represented on the BBC Trust by a BBC Trustee for Wales (Elan Closs Stephens). The Trustee chairs the Audience Council Wales, which scrutinises the BBC's performance and services in Wales and advises the Trust on this.

9. Ofcom also has a number of regulatory responsibilities that relate to the BBC. Key amongst these are its regulation of broadcast content, handling complaints, being consulted on the setting of quotas, and its role in market impact assessments.

The UK Government's proposals

10. On 16 July 2015, the UK Government's Department for Culture, Media and Sport (DCMS) announced a consultation on a Green Paper¹ in order to "begin a debate on the future of the BBC". The consultation ran for 12 weeks and was open to the public, as well as industry experts. In launching the consultation, the Secretary of State for Culture, Media and Sport, John Whittingdale MP said:

"Everyone must be able to have their say on how well they think that [licence fee] money is spent. This consultation gives them that opportunity. It also invites them to comment on how the BBC is governed."²

11. The Green Paper sets out four broad issues that the UK Government wants to consider ahead of the Charter's expiry in December 2016:

¹ [BBC Charter Review: Public Consultation](#)

² [Press release: Government begins debate of future of the BBC](#)

- i. the BBC's public purposes: whether these are still relevant, and whether the Charter should provide "more direction" to the BBC by outlining a "more precisely targeted mission";
- ii. the BBC's scale and scope: as the largest public service broadcaster in the world, whether the range of provision best serves licence fee payers, and what impact the BBC's scale has on the commercial sector;
- iii. how the BBC is funded: whether this should be via a reformed licence fee; a household levy; or a hybrid model. In the longer term, the UK Government has said it will look at the possibility of introducing subscription charges;
- iv. the BBC's governance and accountability arrangements: the reform of the BBC Trust, either through a reformed Trust model; through a unitary board with a standalone oversight body; or through moving to more external regulation through Ofcom.

12. To support the Charter review, the DCMS has [appointed a group of industry experts](#) to provide the UK Government with advice. There is no specific representation from Wales on this group.

2. The BBC's public purposes and scope

13. As part of its consultation on the Charter, the UK Government has asked whether the BBC's public purposes are still relevant, and whether the BBC's current breadth of activities best serves licence fee payers.

Public purposes

14. The current Charter commits the BBC to "representing the UK, its nations, regions and communities". We heard evidence from a number of respondents who believed that this wording should be revised.

15. The BBC Trust told us it favoured strengthening the wording by committing the BBC to provide "content to meet the needs of the UK's nations, regions and communities", in order to make the duty to reflect the whole of the UK in the BBC's services a more explicit requirement under the next Royal Charter.

16. It said this would "build upon the major BBC initiatives which the Trust has instigated and supported during this Charter period to improve the way in which the BBC portrays and serves Wales and the other nations and regions of the UK."³ It also stated that this would enable the Trust to devise mechanisms to measure representation of the nations, and use those to better hold the BBC management to account.

17. The BBC Executive supported the change proposed by the Trust. The Director General, Lord Hall, told us:

"Increasingly, as others move away from representing Wales to Wales or Wales to the whole of the UK, I think to have a public purpose that clearly defines that for the BBC is really welcome and important."⁴

18. Dr Ruth McElroy agreed that there needed to be "a very precise sense of commitment to serving the nations and regions in the public purposes of the BBC." She felt that the BBC wasn't clearly fulfilling all its purposes equally at present.⁵

³ Written evidence, BCR 08

⁴ Record of Proceedings (RoP), para 610, 26 November 2015 (*all references to the Record of Proceedings refer to the proceedings of the Communities, Equality and Local Government Committee*)

⁵ RoP, para 365, 18 November 2015

19. Similarly, Teledwyr Annibynol Cymru (TAC) felt that, whilst the BBC’s investment in drama facilities in Wales (particularly in Cardiff) was welcome, “in itself it does not satisfy the BBC’s public purpose of ‘representing the UK, its nations regions and communities’.”

20. Further, we heard from Producers Alliance for Cinema and Television (PACT) that:

“(…) a key part of the BBC’s public purposes is to make sure that the investments it makes are not only about spending money in Roath Lock, but actually developing the creative talents, so that product, ideas and creativity from across the nations of the UK are represented to everyone else across the UK.”⁶

21. Equity agreed that the BBC’s public purposes ought to reflect its commitment to investment and programming in the nations and regions, as well as to on-screen diversity that reflects modern Britain.⁷

22. More generally, Professor Tom O’Malley called for the BBC’s Charter to be replaced with an Act of Parliament. He argued that a Charter “leaves power in the hands of the Westminster government, not Parliament”, which “allows for opaque policy formulation and decision by, in effect, decree”.

23. In his view:

“A statute which safeguards the creative and editorial independence of the BBC, but which was renewed periodically under close Parliamentary scrutiny is arguably the best way of ensuring a more democratic approach to policy making, one which would give more opportunities for the voice of Wales to be heard.”⁸

24. Cymdeithas yr Iaith Gymraeg claimed that the BBC did not see strengthening the Welsh language and its communities as part of its function or purpose. It stated that a new Welsh-language multi-platform broadcaster should be established in order to increase use of the language. In support of this proposal, which it suggested could be funded by a proposed levy on large media organisations, it said that a varied media ecosystem was vital to the future of the Welsh language.⁹

⁶ RoP, para 175, 12 November 2015

⁷ Written evidence, BCR 04

⁸ Written evidence, BCR 01

⁹ Written evidence, BCR 14

Scope of BBC activities in Wales

25. Witnesses have generally highlighted the importance of the BBC to Wales as a provider of Welsh-specific content, given market failures elsewhere in the Welsh media.

26. A number of witnesses commented on the significant cultural impact of the BBC, and broadcasting more generally, particularly in relation to the Welsh language. The Welsh Language Commissioner stated:

“The Welsh language is an integral part of the culture of the United Kingdom and it is vital to the language that its presence on various public broadcasting platforms in Britain continues and increases. The wide range of quality Welsh-medium content provided by the BBC and S4C is essential for the Welsh language to thrive in the future.”¹⁰

27. While the Arts Council of Wales said:

“Wales is a bi-lingual nation – legally, socially, culturally, and as individuals and communities, nothing makes Wales more distinctive than the Welsh Language. (...)”

“BBC Cymru Wales and S4C must defend and promote vigorously the right of people to explore their own culture, their own creativity through the language of their choice. In an increasingly globalised world, we must see the Welsh language, alongside English, as a basic civic attribute as well as an inherited culture.”¹¹

28. Other witnesses referred to the economic benefits for Wales derived from broadcasting. The BBC Trust highlighted the BBC’s economic contribution to Wales:

“£154m is spent on content by the BBC in Wales, either produced by BBC Wales or by independent producers, 60% on BBC Wales’ dedicated services for Wales and 40% on network TV content. In 2014-15, BBC Wales’ direct spend with external suppliers and producers totalled approximately £50m on independent productions, artists, facilities etc.”

¹⁰ Written evidence, BCR 06

¹¹ Written evidence, BCR 10

“When Deloitte last measured the economic impact of the BBC’s activities in the UK in 2013 the estimated Gross Value Added (GVA) of its activities in Wales was £276 million. This means that for every pound spent by the BBC in Wales its effect is nearly doubled.”¹²

29. Equity also referred to the “crucial” role of the BBC in the Welsh economy, saying that it “acts as a standard bearer for the audio-visual sector in terms of quality, diversity, and innovation.” It argued that “without the BBC’s investment and commissioning, the UK’s production base, which also serves the UK film industry, would not be as strong as it is today.”¹³

Independent review for Wales

30. Separately, the Welsh Government has called for an urgent, independent review of public service broadcasting in Wales, with a clear focus on the BBC’s public purposes in Wales particularly in respect of its delivery to Welsh audiences and its portrayal of Wales. It was suggested that the review could form the basis of a new Charter “contract” for Wales. The Deputy Minister argued:

“The role of the principal Public Service Broadcaster must be informed by a clear understanding of the needs of the people in the nations and regions of the UK. However, following extensive devolution of powers to the devolved governments, there has been no evaluation or assessment of whether current public service obligations remain fit-for-purpose. Over the same time period those obligations have been allowed to erode, largely for commercial reasons.

“This assessment is now urgently needed and should be done in parallel with the Charter review, to inform any targets for delivery of services in the nations and regions that might be included in the new Charter, linked to a renewed set of public purposes and values.”¹⁴

31. Whilst witnesses did not disagree with the need for such a review, some questioned its timing.¹⁵ There was also some criticism of “how the Welsh Government has equipped itself to speak about media issues in Wales”.¹⁶ This is a matter we have commented on previously, when we recommended in 2012 that the Welsh Government establish an independent forum to advise

¹² Written evidence, BCR 08

¹³ Written evidence, BCR 04

¹⁴ Written evidence, BCR 15

¹⁵ RoP, para 271, 18 November 2015

¹⁶ RoP, para 300, 18 November 2015

on policy in relation to the media in Wales.¹⁷ This recommendation was rejected but the Welsh Government subsequently established a Broadcasting Advisory Panel in the form of a Task and Finish Group, chaired by the Chair of the Creative Industries Sector Panel.

32. We heard that the work of the Panel had not been open to public view despite its advice having “already added significant value” to the Welsh Government’s work on broadcasting matters. We heard that the Institute of Welsh Affairs had needed to use a Freedom of Information request in order to find out about its activities.¹⁸

33. The Deputy Minister acknowledged that in the absence of the UK Government conducting an independent review, the Welsh Government may need to re-establish its Broadcasting Advisory Panel.¹⁹

Our view

34. The BBC enjoys a position of unique importance in Wales. Welsh audiences consume a greater proportion of BBC services than those in the other nations and regions of the UK. In addition, a lack of plurality in the media in Wales means that the Welsh public is dependent on the BBC to a greater degree than the rest of the UK, particularly as regards news and current affairs.

35. Given this unique position, it is incumbent on the BBC to ensure that its output reflects the diversity of Welsh life and culture. It is in this regard that we believe the BBC has fallen short of its obligations.

36. The significant decline in the BBC’s investment in English-language programming over the last ten years has resulted in fewer hours of Wales-specific programming and a schedule that has failed to capture and explore adequately the lives and experiences of Welsh communities, as well as the changing political landscape post-devolution. Further, this decline in investment has been more severe in Wales than the other nations of the UK. Whilst the BBC Executive has publicly acknowledged these shortcomings for some time, it seems to have done little to address them.

¹⁷ [Inquiry into the future outlook for the media in Wales](#)

¹⁸ RoP, para 300, 18 November 2015

¹⁹ RoP, para 19, 18 November 2015

37. We believe that the BBC's public purpose of "representing the UK, its nations, regions and communities" should be strengthened. We support the suggestions made by the BBC Trust that the public purposes are revised to make more explicit the duty to "reflect, represent and serve everyone in the UK" in the BBC's services, and to ensure that it "provides content to meet the needs of the UK's nations, regions and communities". We agree that this will provide the impetus for mechanisms to be put in place to better measure representation and hold the Executive to account.

We recommend that the BBC's statement of public purposes should be strengthened to ensure that the BBC reflects, represents and serves the needs of the UK, its nations, regions and communities.

Role of the Welsh Government

38. Whilst we do not disagree with the Welsh Government's call for an independent review of public service broadcasting in Wales, and that such a review should focus clearly on the BBC's public purposes in Wales, we believe that this call should have been made earlier. Given that the Charter is due to expire at the end of 2016, such a review seems unlikely at this time.

39. In 2012, we commented on evidence we had received about the capacity within the Welsh Government to deal with media policy. We continue to believe that the Welsh Government should invest in greater capacity in this area, particularly given the cultural and economic significance of the media sector to Wales.

40. Further, we note that, in 2014, the Welsh Government's Broadcasting Advisory Panel recommended the creation of a new Public Service Media Council for Wales to have oversight of the media in Wales. We support this recommendation.

We recommend that the next Welsh Government establishes, as a matter of priority, an independent media forum for Wales. The role of the forum should include, but not be limited to, reviewing, monitoring and evaluating Public Service Broadcasting provision in Wales and providing expert advice to the Welsh Government. It should draw on expertise from across the media sectors and academia.

3. The BBC's output in respect of Wales

41. We heard that, over the current Charter period, there has been a reduction of 15 per cent in the number of hours produced by BBC Cymru Wales, and a reduction of 32 per cent in its spend on English language programming. Notably, in its 2014-15 report, the BBC Audience Council Wales described the BBC's output in Wales as being on a "cliff edge".

42. In relation to broadcasting services for Wales more generally, the IWA has reported that "the reduction in spend on broadcast services for Wales has been steeper than in Scotland or Northern Ireland".²⁰ It also reported that:

"The total spend by BBC and ITV on English language television output for Wales has declined consistently since 2002 and accelerated after BBC Wales passed its peak spend of £26.8m in 2005-06."²¹

43. The BBC's Director General has acknowledged that the BBC's English language television programming in Wales had been "eroded" and "in decline for almost a decade".²² Further, the BBC Trust has accepted that "there can still be periods where specific representation of some nations and regions does not occur", and that "representation of the devolved nations is a key issue that needs to be resolved as part of Charter Review."²³

44. We heard evidence of the wider social and cultural effects of the BBC's declining services for Wales. The Arts Council of Wales told us that in recent years there had been a decline in the capability of BBC Cymru Wales to deliver a cultural offer to Wales, saying that Welsh arts, culture and drama, particularly on television, was barely existent.²⁴

45. Dr John Geraint told us that the shortage of BBC output for Wales was "reduced by BBC mandarins to a zero-sum game", whereby the shortage could only be rectified by providing more funding to Wales at the loss of other core services. He went on to say that:

"(...) even when it has been represented, Wales has struggled to ensure that its stories enjoy parity of esteem with the stories of the

²⁰ [IWA Wales Media Audit 2015](#)

²¹ *ibid.*

²² BBC Director General, [National Assembly for Wales Reception, 1 April 2014](#)

²³ [BBC Trust response to DCMS Charter Review consultation](#)

²⁴ Written evidence, BCR 10

more powerful and privileged; and that is not only unfair in its own right, but it further entrenches inequality, injustice and lack of true respect and self-respect.”²⁵

46. The Assembly’s Presiding Officer, Dame Rosemary Butler AM, was critical of the BBC’s coverage of political life in Wales:

“... the BBC (and other network platforms) often ignore Wales all together or mislead viewers by reporting policy developments in devolved areas such as health and education in England as though it applies to Wales when the government here often pursues a very different direction.

“It is incongruous that - at a time when more powers have been devolved to Wales - there is less coverage and challenge of its political life.”²⁶

47. We also heard that in providing a service that reflects its UK audiences, the BBC “must also have a workforce which does the same”²⁷. The NUJ stated that this was an area in need of improvement.²⁸

Portrayal

48. In its 2014-15 annual report, the BBC Audience Council Wales raised concerns about the very limited portrayal of Wales through drama and comedy, saying it was “concerned at the lack of the portrayal of Wales on UK-wide BBC TV with seven years having now passed since the last major portrayal of Wales in UK drama through *Gavin and Stacey* and *Torchwood*.”²⁹

49. These concerns about a lack of portrayal of Welsh life in BBC programming were shared by many respondents, both in terms of programming specifically for Wales and also in wider network programming.

50. On this point, the IWA stated:

“(...) when was the last time you saw a programme about science made in Wales? (...), when did you last see (...) children's programming from Wales in English, or religion dealt with from Wales in English? (...) When did you last see opera from Wales? We have the

²⁵ Written evidence, BCR 18

²⁶ Written evidence, BCR 05

²⁷ Written evidence, BCR 12

²⁸ *ibid.*

²⁹ Written evidence, BCR 08

Welsh National Opera. When did you last see dance from Wales on television? Once you break it down into aspects of the way we live, you begin to understand why this really matters.”³⁰

51. Dr Ruth McElroy agreed, stating “people want to see themselves reflected on television screens. They value it enormously when they are reflected there. And, if anything, what the most recent Ofcom PSB review demonstrates is that that demand from audiences to be represented is increasing.”³¹

52. PACT criticised the “lift and shift” approach to production it felt the BBC had taken, and pointed out that there is a significant difference between the BBC moving productions to Wales in order to fulfil their out-of-London quota, and the BBC making productions in Wales, that portray Wales, using Welsh companies and actors.

53. Cymdeithas yr Iaith Gymraeg were particularly critical of the BBC’s Welsh language output, stating that the BBC needed to adapt in order to better represent all the countries and languages of these islands. It called for the BBC to mainstream the Welsh language across its network, saying that duties should be placed on all BBC platforms to this effect. It was also critical of the reduction in Radio Cymru’s broadcasting hours, and said that the BBC’s Welsh-language online and radio services needed to be expanded.³²

54. The BBC Trust has acknowledged that “there are some concerns about how Wales was portrayed in BBC Network services and the range and volume of English language television programming being produced by BBC Wales for Welsh audiences, with less drama, comedy and entertainment being provided.”³³

55. Similarly, the BBC Executive has accepted the criticisms about portrayal, with the Director General conceding that some aspects of Welsh life were not “sufficiently captured by the BBC’s own television services in Wales.”³⁴

56. However, the BBC Executive also stated that, despite these problems with portrayal, in Wales the BBC attracts higher audiences and appreciation levels than the UK average. The Director General did, however, note that the BBC needed to do “more, and better, to reflect the lives and experiences of

³⁰ RoP, para 341, 18 November 2015

³¹ RoP, para 345, 18 November 2015

³² Written evidence, BCR 14

³³ Written evidence, BCR 08

³⁴ BBC Director General, [National Assembly for Wales Reception, 1 April 2014](#)

all licence fee payers”, stating that the organisation had set itself a “clear creative challenge to adapt the BBC to a changing UK”³⁵. In terms of meeting this challenge, it proposes creating an interactive digital service for each nation of the UK.

57. Respondents told us that the BBC has succeeded in increasing the spend on network productions in the nations as a result of setting itself a target of 17 per cent of network spend outside of England. They said this demonstrated the BBC’s ability to change its production processes when required to do so.³⁶ Consequently, they argued that the BBC should be set measurable targets for portrayal. Further, we heard that the growth in creative industries in Wales, spurred in part by the BBC’s investment, meant that Wales was excellently placed to produce Wales-specific content.

Commissioning

58. Respondents were critical of the BBC’s commissioning arrangements and their impact on portrayal. We heard evidence from a number of stakeholders (including independent producers, the Welsh Government and academics), that the BBC’s current commissioning arrangements for network programmes are “heavily centralised”³⁷ and that this has “had unfortunate effects in terms of the representation of the whole of the UK on BBC services.”³⁸

59. On this point, TAC told us that the “BBC needs to improve its record of commissioning productions from the Nations in order to better meet its requirement to reflect the nations and regions of the UK to the rest of the country.”³⁹

60. Specifically in relation to Wales, we heard from a number of respondents that, despite a greater number of network programmes being made in Roath Lock, the main commissioning decisions continue to be made in London with very little regard to audiences in Wales. On this point, Dr John Geraint told us that there was “an England—call it a London—bias, if you like, in all broadcasting commissioning.”⁴⁰

³⁵ Written evidence, BCR 17

³⁶ RoP, para 365, 18 November 2015

³⁷ Written evidence, BCR 20

³⁸ RoP, para 291, 18 November 2015

³⁹ Written evidence, BCR 03

⁴⁰ RoP, para 288, 18 November 2015

61. Equity also referred to a ‘London bias’ in commissioning, stating:

“It is also important to note that London accounts for just 13% of the total population (8.2 million people). Including the rest of south east England brings this total to 27%, or 16.8 million people, so most of the UK population lives outside that part of the UK where most of the programmes have historically been made.”⁴¹

62. The BBC Trustee for Wales conceded that there were “deficiencies” in the commissioning system in this regard. She stated that “we do have to ask the BBC to find consistent ways of keeping portrayal in mind as they commission programming”.⁴²

63. Professor Richard Sambrook agreed that “further improvement is desirable” in terms of the strengthening of portrayal of Wales across BBC programmes. He argued that giving the nations a stronger voice in commissioning programmes would be one way to address this:

“This may be complex for the BBC to introduce but it is appropriate as national identities strengthen across the UK and it would produce greater diversity in tone and output.

“The success of the BBC’s centre in Salford – and the impact on the North of England and on the output which is commissioned and produced there – is a useful example and precedent alongside the successes within BBC Wales, BBC Scotland and BBC Northern Ireland.”⁴³

64. The Deputy Minister agreed that commissioning was “a major hindrance” in terms of the lack of portrayal of Wales in BBC programming. Whilst the Welsh Government stated that it valued the BBC’s drama presence in Wales, it said that it was also “time for a commissioning base here in Wales.”⁴⁴

65. We also heard concerns that a number of regionally-badged programmes were being produced by London-based companies, who may run auditions or make casting decisions in London rather than in the nations and regions. On this point, Equity said:

⁴¹ Written evidence, BCR 04

⁴² RoP, para 43, 12 November 2015

⁴³ Written evidence, BCR 20

⁴⁴ RoP, para 24, 18 November 2015

“Currently performers who are not based in London and the South East of England often struggle to find enough employment to sustain a career in the entertainment industry and many are forced to relocate to London in order to access opportunities.”⁴⁵

66. We heard that greater decentralising of commissioning arrangements should be accompanied by greater decentralising of funding. On this point, the IWA stated:

“The time has come to devolve a significant tranche of network funding, so that commissioners in the nations can have the freedom to bring other perspectives to bear and so diversify the output. This would not mean an end of dialogue or collaboration between the nations and the centre, but it would give the nations a leverage that does not exist at present.”⁴⁶

67. The BBC Director General told us that he had “asked for [a] review of how we commission, and our commissioning arrangements with not just the nations, but also with the regions of England”.⁴⁷

Quotas

68. At present, the BBC’s quotas for production set out that at least 25 per cent of commissions must go to independent producers, and at least 50 per cent must be created in-house.⁴⁸

69. The BBC Executive has proposed that these quotas are removed and the BBC’s production arm turned into a commercial subsidiary, to be known as “BBC Studios”, enabling much of the BBC’s content to be opened out to contract. BBC Studios would then operate in the market, producing programming for the BBC and other broadcasters, returning all profits to the BBC Group.

70. The Welsh Government, in particular, is concerned that this change “could allow the production of in-house content by the BBC (...) to move away from the nations and regions and back towards London and the South-East”. It is opposed to the removal of quotas for commissioning independent production or production in the regions. On this point, the Deputy Minister told us:

⁴⁵ Written evidence, BCR 04

⁴⁶ [IWA Wales Media Audit 2015](#)

⁴⁷ RoP, para 637, 26 November 2015

⁴⁸ These are separate to the quotas for regional production, whereby the BBC has committed to ensure 17 per cent of network spend comes from the nations.

“To compete for commissions in Wales, it’s absolutely clear that, without the quotas for out-of-London production, we would not have that centre in Cardiff [Roath Lock] and we would not have an incredible increase in the level of employment that we’ve been able to celebrate and the BBC has been able to celebrate. My view is that if they wish to proceed with an element of competition for commissions, then at the very least they should protect the quotas for out-of-London production.”⁴⁹

Terms of trade

71. A review of the Terms of Trade, which set out how the BBC and other broadcasters work with independent producers, has also been initiated by the UK Government.

72. We heard evidence that the Terms of Trade underpin the success of the independent production sector and that the removal of intellectual property rights from independent producers would seriously damage this sector. PACT urged the Committee to lobby against any proposal to change the Terms of Trade.⁵⁰

Our view

73. The overall structure and culture of the BBC is focused too greatly on London at the expense of the nations and regions of the UK. In Wales, this has contributed to a lack of representation and portrayal of Welsh life and culture on both the BBC’s network services, and to its audiences in Wales.

74. We welcome the BBC’s commitment to increase its spend on network productions in the nations and, to this end, its target of 17 per cent of network spend outside England. In Wales, this commitment to greater devolution of drama production has been met with considerable commercial success to date. It is disappointing, however, that despite being produced in Wales, these programmes have done little to strengthen the representation or portrayal of the nation.

75. The BBC should do more to ensure that Wales is represented to a greater extent across the network. Further, the BBC should do more to ensure that programmes made in Wales represent and portray Wales to a wider network audience.

⁴⁹ RoP, para 24, 18 November 2015

⁵⁰ RoP, para 196, 12 November 2015

We recommend that the BBC develops specific and measurable targets for portrayal of Wales in its network programming. It should report annually on progress against these targets (see recommendation 7).

76. Integral to the issue of portrayal is that of commissioning. The BBC's arrangements for commissioning remain heavily centralised, with the main decision-making continuing to take place in London, despite production being increasingly devolved. We note that the BBC is currently reviewing its commissioning processes.

77. We believe that the BBC network should have a commissioning base in Wales. This would help to increase diversity in the portrayal of Wales on BBC programmes. The benefits of this approach are evident from examples in the UK where commissioning has been relocated from London, notably the BBC's centre in Salford and the benefits for the north of England. As well as the practical advantages of decentralising, it would also encourage cultural change within an organisation that is yet to reflect fully constitutional developments in the UK in its structure.

78. This decentralised approach should be accompanied by greater devolution of network funding to commissioners based in the nations and regions. This would contribute to a greater range and diversity of output.

We recommend that the BBC puts in place arrangements to decentralise commissioning to ensure that network commissioners for the nations and regions are based in those nations and regions.

We recommend that the BBC devolves a greater proportion of network funding to commissioners based in the nations and regions as a means of increasing the range and diversity of output, both locally and for the network.

4. The BBC's funding

79. The BBC is funded by public subscription in the form of a licence fee. The fee is set by the UK Government, agreed by Parliament, and used to fund the BBC's radio, TV, and online services covering the nations and regions of the UK.

80. Following an agreement between the BBC and UK Government in July 2015, the BBC will also take on the cost of providing free television licences for over-75s.⁵¹ This will be phased in from 2018-19, with the BBC taking on the full costs from 2020-21.

Current and future funding levels

81. Since 2010, the BBC has had to make substantial savings across all of its operations. Between 2013-14 and 2014-15, its overall income reduced from £5.1 billion to £4.8 billion. By the end of the current Charter period, the BBC should have delivered £1.6 billion cumulative annual savings, of which £1.25 billion in savings have already been made.⁵²

82. According to the BBC Trust, the 2015 licence fee agreement between the BBC and UK Government “will require the BBC to make further, significant efficiencies and savings over the next Charter period”. Further, the BBC Executive has stated that it expects the BBC’s budget to be “cash flat” between 2017-18 and 2021-22, “effectively a real terms reduction of 10 per cent depending on inflation forecasts”. It has stated that “significant new investment in a broader range of programming (...) cannot be delivered within the current Budget agreement”.⁵³

83. In Wales, following the licence fee settlement agreed in 2010, funding for BBC Cymru Wales has been reduced by 16% (in real terms) over a five-year period as part of the BBC’s Delivering Quality First project.⁵⁴ In relation to the funding levels for the next Charter period, the BBC’s Director General told us “it is too early to forecast how the BBC’s financial outlook will impact on BBC Wales’ expenditure”.⁵⁵

⁵¹ [Press release: BBC to fund provision of free television licences for over-75s](#)

⁵² Written evidence, BCR 08

⁵³ Written evidence, BCR 17

⁵⁴ [IWA Wales Media Audit 2015](#)

⁵⁵ Written evidence, BCR 17

84. In the view of the BBC Trust, “as with other areas of the BBC, BBC Wales has (...) had to make stretching, but not disproportionate, efficiency savings.”⁵⁶

85. The Welsh Government did not support this view, arguing that “in recent years, the BBC’s investment in Wales has reduced, at a time when its investment in Scotland, Northern Ireland and key English regions has increased.”⁵⁷ It has also expressed concerns that, rather than announcing additional funding, the BBC had instead committed to cut funding to the nations “less than other areas”⁵⁸.

86. The Welsh Government, along with some other respondents, has questioned “how the BBC can deliver on the commitments made to invest in and improve services to the nations (...) when it has ruled out any net increase in spending.”⁵⁹

87. Although it suggested that there may be funding available that was not being put to full use in Wales⁶⁰, the BBC Trust conceded that BBC Cymru Wales’s budget is “clearly too small to provide those additional creative portrayals that are also necessary.”⁶¹

88. The First Minister has called for the BBC’s investment in Wales to be increased by £30 million per year “to ensure programming that truly reflects the lives of people in Wales.”⁶² This call has been endorsed by the Institute of Welsh Affairs:

“This [£30 million] is around the same level of increase that was demanded by the Welsh Government’s Broadcast Advisory Group in 2008, based on the restoration of value lost up to 2013. Cuts since 2013 and scheduled up to 2016-17 would justify an even higher figure.”⁶³

89. A number of witnesses questioned what political pressure would be brought to bear by the Welsh Government if this additional £30 million funding was not forthcoming.

⁵⁶ Written evidence, BCR 08

⁵⁷ [Welsh Government response to DCMS Charter Review consultation](#)

⁵⁸ Commitment made in ‘British, Bold, Creative’

⁵⁹ [Welsh Government response to DCMS Charter Review consultation](#)

⁶⁰ RoP, para 61, 12 November 2015

⁶¹ RoP, para 54, 12 November 2015

⁶² [Letter from First Minister to BBC Director General](#)

⁶³ [IWA Wales Media Audit 2015](#)

The licence fee

90. The UK Government has said that the current licence fee system is “regressive, set at a flat rate and is not adjusted for different household incomes”. The Green Paper sets out a number of options for future funding models for the BBC. These include retaining the licence fee, but reforming it to close the ‘iPlayer loophole’ (whereby a licence is not needed to watch on demand or catch-up services); replacing the licence fee with a universal levy; or a mixed public funding and subscription arrangement.

91. Most respondents, including the BBC, NUJ and TAC, were of the view that the licence fee system should be retained for the next Charter period, although a number suggested that it should be modernised, or that other models, including the German household-levy system, should be investigated further.

92. In the NUJ’s view, “compared with the subscription packages put together by the likes of Sky and Virgin, the licence fee is vastly cheaper and is of incredible value”⁶⁴.

93. Both the BBC Executive and BBC Trust were in favour of retaining the licence fee in a modernised form, with legislation enacted to address the issues around catch-up and on demand services.

94. The BBC Executive has also stated that it can “see merit” in a medium-term reform option of replacing the licence fee with a universal levy. However, it did not support the introduction of a subscription funding model, either alone or in part-funding for the licence fee:

“It [a subscription model] would harm UK content investment and quality, restrict access for audiences, and increase the cost they pay—ultimately damaging the UK’s media ecology which is based on competition for quality, but not funding.”⁶⁵

95. Similarly, BECTU were also critical of proposals for a subscription-based service:

“The introduction of subscription services would contradict one of the founding principles of the UK’s historic and successful public service broadcasting sector; namely that services should be free at the point of consumption.

⁶⁴ [NUJ written evidence to House of Commons Culture, Media and Sport Committee](#)

⁶⁵ [BBC submission to the DCMS Charter Review public consultation](#)

“Depending on the choices made by a subscription consumer base, it could also dramatically alter the diversity of the BBC's output, with less popular, probably specialist, content disappearing.”⁶⁶

96. In BECTU's view, the licence fee, or a similar household levy collected independently from taxes, “is the most appropriate, and only workable, funding system for the BBC.”

97. Similarly, the NUJ has confirmed that it would welcome research on other models, such as the “German household-levy method or a tax on electrical equipment”.

98. A number of respondents were critical of the way in which the latest licence fee settlement had been reached. BECTU told us that the settlement had been agreed “before the public debate had really begun over the BBC's future”. It stated:

“Setting a funding level before confirming the scope and scale of the BBC's future activity really does put the cart before the horse, and rules out a Licence Fee which is sufficient to fund the existing range of services on offer, which we believe is the will of most Licence payers.”⁶⁷

99. Professor Richard Sambrook referred to the speed at which the two previous licence fee settlements have been agreed, saying that these agreements had been subject to “significant pressure from the government to the BBC's funding base and with no public transparency or opportunity for the public and other stakeholders to express a view.”⁶⁸

100. Professor Tom O'Malley said:

“That the licence fee and or significant aspects of the BBC's finances should be largely determined twice in five years without proper consultations with the nations and regions in the UK is indicative of a deep failure in governance.”⁶⁹

101. These points were acknowledged by the Chairman of the BBC Trust, as well as the Director General of the BBC who said that the agreement had

⁶⁶ Written evidence, BCR 13

⁶⁷ Written evidence, BCR 13

⁶⁸ Written evidence, BCR 20

⁶⁹ Written evidence, BCR 01

been reached “at breakneck speed and in a way that actually shouldn’t happen again.”⁷⁰

Service licences

102. Service licences set out the remit, scope and budget of specific BBC services and include a set of commitments, including some minimum conditions for particular types of output.

103. The BBC’s Director General has suggested creating separate “service licences” for each of the nations, which would describe the required audience outputs for the nations as well as the funding that would be available to deliver those. He felt that service licence agreements would continue to be needed for network and UK-level platforms, but that a service licence for Wales could enable “easier, better and more creative” decision-making for Wales.⁷¹

104. BBC Cymru Wales’s Director, Rhodri Talfan Davies, welcomed the proposal, stating that a service licence for Wales could enable him to reprioritise funding and make decisions more quickly in Wales:

“We are going through, right now, a period of consumer audience technological change that requires very rapid decision making. (...) do the nation’s directors have the flexibility to be able to reprioritise at a speed that keeps pace with audiences? I think, at the moment, that the regulatory structural licences arguably act as a brake on making decisions that would keep us in tune.”⁷²

Our view

105. Funding for BBC Cymru Wales faces an uncertain future. Having already made considerable efficiency savings over the current Charter period, it will also have to make its share of the further significant savings facing the BBC as a whole, required as a result of the 2015 licence fee agreement. We are deeply concerned about the implications of this for the range and quality of the BBC’s future output in Wales. Further, we do not believe that the BBC’s commitment to the nations to ensure “that they are cut less than other areas” is acceptable, particularly given the disproportionate funding reductions already experienced in Wales.

⁷⁰ RoP, para 620, 26 November 2015

⁷¹ RoP, para 706, 26 November 2015

⁷² RoP, para 713, 26 November 2015

106. We support the Welsh Government's call for the BBC to invest an additional £30 million into the services it provides for Wales. We believe that this investment is crucial for high quality content for Wales to continue to be made. Further, we agree that any additional investment in English language programming should not be at the expense of cuts in funding to S4C or the BBC's own Welsh language output.

We recommend that the BBC invests an additional £30 million into the services it provides for Wales.

107. More generally, we were very concerned by the manner in which the latest licence fee settlement was reached. We believe it is critical that the process for determining future funding settlements ensures independence from government pressure; is open and transparent; and provides an opportunity for meaningful consultation with stakeholders and the public.

5. Governance and accountability

Background

108. The BBC is governed by the BBC Trust. The Trust is responsible for setting the strategic direction of the BBC, holding the Executive to account for its performance, and monitoring its spending of the licence fee. It is made up of twelve Trustees, including four National Trustees who represent England, Scotland, Wales and Northern Ireland. The Trustees are appointed by the Queen on advice from UK Government Ministers.

109. The Trustee for Wales chairs the Audience Council Wales (ACW). The role of the ACW is to scrutinise the BBC's performance on behalf of audiences living in Wales, and to advise the Trust on issues relating to BBC audiences and services at a Wales level. It also assesses BBC programmes and services in Wales and the extent to which the BBC's network output and other activities reflect the diversity of the UK and its nations and regions.

Governance

110. Most respondents who commented on the BBC's current governance and structural arrangements were of the view that they were not fit for purpose.

111. The NUJ said that the current Trust was a “dead duck”, whilst BECTU described the current model as “problematic”, stating that “the BBC Trust [is] sometimes playing the role of a disconnected public advocate, and on other occasions attempting to micro-manage BBC activities”. It felt that “there is a strong argument for change.”⁷³

112. Both the BBC Executive and BBC Trust have acknowledged the need for change. The BBC Executive stated “it is clear that the current structures do not carry sufficient confidence with a lack of clarity around BBC Trust and BBC Executive functions.” It stated:

“The BBC is (...) supportive of a move towards the creation of a new unitary Board, fully independent of Government. The corollary of a unitary BBC Board with its own non-executive Chairman is the move to external regulation of the BBC.”⁷⁴

⁷³ Written evidence, BCR 13

⁷⁴ Written evidence, BCR 17

113. It also stated that any governance model should be “responsive to the diversity of the UK”.⁷⁵

114. Similarly, the BBC Trust felt that “greater clarity about responsibility for functions and where accountability rests for the exercise of those functions (whether management, supervisory or regulatory) is important.” It also proposed the “creation of a unitary Board with a majority of independently-appointed non-Executive Directors and a non-Executive Chairman to run the organisation, determine its strategy and manage its finances.”⁷⁶

115. The Trustee for Wales suggested that Wales could benefit from strengthening the BBC’s regulatory mechanisms and levers.⁷⁷

116. The Welsh Government also voiced its support for the creation of a unitary board and a standalone regulator, further stating that the Chairman of the unitary board should always be a non-executive member. It argued that the board of the new regulator should include a Welsh representative, whose appointment is led by the Welsh Government.

117. Several other respondents also highlighted the importance of strong representation for Wales as part of any future governance arrangements. The Assembly’s Presiding Officer told us:

“The Commission on Devolution in Wales, led by Paul Silk recommended the establishment of a devolved governance body within the UK BBC Trust framework to provide independent oversight and scrutiny of BBC outputs in Wales.

“I believe this could go a long way to strengthening the voice of Wales on the BBC Trust, I would encourage the Committee to recommend that Wales has a strong voice in any future management structures.”⁷⁸

118. She also shared the Silk Commission’s view that “the appointment of the Welsh representative on the BBC Trust, or in any future governance framework, should be agreed formally between the Welsh and UK Governments.”⁷⁹

⁷⁵ Written evidence, BCR 17

⁷⁶ Written evidence, BCR 08

⁷⁷ RoP, para 129, 12 November 2015

⁷⁸ Written evidence, BCR 05

⁷⁹ Written evidence, BCR 05

119. Separately we heard that the Assembly should have a role in ensuring Welsh representation as part of the BBC's future governance arrangements.

120. Professor Richard Sambrook argued:

“For the devolved nations, it is essential their voice is represented both within the non-executive directors on the BBC unitary board and on the regulatory board. The national assemblies should be formally consulted by the DCMS and have a role in making such appointments.”⁸⁰

121. Cymdeithas yr Iaith Gymraeg stated that the Assembly should be responsible for appointing members to the Trust in order to ensure that Wales could be represented in the BBC's output.⁸¹

122. In contrast, the Culture, Media and Sport Committee of the House of Commons has recently recommended that there should be no "specific director" for Wales under a new BBC governance structure.⁸²

123. Others respondents went further, calling for a democratically-elected Welsh Broadcasting Council, with devolved powers over the BBC's finance, content and commissioning in Wales. This point was made by Professor Tom O'Malley, who argued that BBC governance is too centralised, and that a federal structure should be adopted.⁸³

124. The IWA argued for a National Broadcasting Trust to be established in each nation in the UK, which would have responsibility for shaping and delivering a national service licence. Similarly, the Silk Commission⁸⁴ has previously recommended the establishment of a devolved BBC Trust in Wales, within the UK Trust framework, with responsibility for oversight and scrutiny of the BBC's policy, content and allocation of resources in Wales.

125. The Welsh Government's Broadcasting Advisory Panel has previously recommended that “the Welsh Government should create and empower a new Public Service Media Council for Wales, to be appointed by, and answerable directly to, the First Minister.” It argued that the role of such a council should be to “lead the debate on the future of public service broadcasting content delivery in Wales on behalf of the Welsh Government

⁸⁰ Written evidence, BCR 20

⁸¹ RoP, para 67, 2 December 2015

⁸² Culture, Media and Sport Committee, House of Commons, ‘BBC Charter Review’, First [Report](#) of Session 2015-16

⁸³ RoP, para 312, 18 November 2015

⁸⁴ [Empowerment and Responsibility: Legislative Powers to Strengthen Wales](#)

and represent the needs of Welsh citizens and Welsh businesses at a UK level.”⁸⁵

126. The NUJ supported the calls for any new governance structure to be independent of government and subject to scrutiny by committees and Parliament. It also argued that “BBC staff and licence-fee payers should be part of a new governance structure” and that “Ofcom needs to play a greater role in scrutiny of the BBC”.⁸⁶

127. Some respondents, however, were concerned by suggestions that Ofcom could take on the role as a future regulator of the BBC. Professor Tom O’Malley felt that “any change to the overall structure of governance at the BBC [should be] done within the context of enhanced accountability rather than diminished accountability in the interests of executive speed and commercial decision making, as important as that is.”⁸⁷

128. Further, he stated:

“If the BBC is to be put under Ofcom, (...) Ofcom’s governance and aims and purposes would need to be radically reformulated in order to make sure that the BBC was not being put under a body whose *raison d’être* is to promote commercial values within the media sector. It has other responsibilities as well, but that is at its core.”⁸⁸

129. PACT, however, was “not in favour of the proposals mooted by the Devolved Assemblies to create a more federal system of governance within the BBC”. PACT argued that, as the BBC is a UK institution, the UK Government and Parliament should remain responsible for setting the licence fee and the terms of the Charter.

130. As part of the Charter renewal process, the UK Government has set up an independent review of the BBC’s governance and regulation, led by Sir David Clementi.

Accountability

131. Many respondents commented that the BBC is not sufficiently accountable to audiences in Wales. There was agreement among respondents about the need for greater accountability of the BBC in Wales

⁸⁵ CELG Committee, 13 January 2016, [CELG\(04\)-01-16 \(paper 3\)](#)

⁸⁶ Written evidence, BCR 12

⁸⁷ RoP, para 376, 18 November 2015

⁸⁸ RoP, para 376, 18 November 2015

and a stronger role for the Welsh Government and National Assembly for Wales.

132. In the view of Professor Tom O'Malley, the result of broadcasting not being a devolved matter has been that:

“neither the Welsh Assembly Government nor the National Assembly has had a specific and permanent department and committee structure devoted to the issue of communications policy in Wales. Nonetheless both organisations have spent time, in arguably a largely ad hoc fashion, responding to successive initiatives from Westminster, Ofcom and the BBC.”

133. He went on to say:

“It is not good enough to allow Wales’s interests in this process to be the upshot of what will inevitably be policy driven from Westminster, and filtered through the BBC central management.”⁸⁹

134. The IWA rejected “the notion that nothing in this field should be devolved unless everything is devolved” and called for responsibility for broadcasting and media matters to be shared between the UK Government and the devolved administrations”.⁹⁰

135. The Welsh Government stated that it has “regularly referred to the importance of improving the accountability of UK broadcasting institutions to the National Assembly and to Welsh viewers and listeners”. Its own Broadcasting Advisory Panel has previously reported that:

“The UK’s current devolution arrangements do not include satisfactory arrangements for the governance of PSB services. The new devolved governments are neither recognised nor represented. No broadcasting institution is directly accountable to the people of Wales.”⁹¹

136. The Welsh Government welcomed the finalising of a Memorandum of Understanding between the BBC, UK and Welsh Governments and the Assembly, which will commit the BBC to appearing before Assembly committees on “the same basis as it does in the UK Parliament”.⁹²

⁸⁹ Written evidence, BCR 01

⁹⁰ [IWA Wales Media Audit 2015](#)

⁹¹ CELG Committee, 13 January 2016, [CELG\(04\)-01-16 \(paper 3\)](#)

⁹² [Revised Memorandum of Understanding](#)

137. Equity states in its evidence that the BBC in Wales should be more accountable to the Welsh Government. It also supports the BBC-specific recommendations from the Silk Commission, whilst highlighting that it believes it is “difficult to know” how these structures would work with new governance structures following Charter renewal.

138. The National Assembly’s Presiding Officer, Dame Rosemary Butler AM, said:

“I do not call for broadcasting to be devolved to the Assembly but I believe the National Assembly should have the opportunity to scrutinise the BBC's relationship with, and provision for, its Welsh audience.”⁹³

139. The IWA recommended that the BBC, amongst other media providers in Wales, “should be required to lay before the National Assembly for Wales annual reports on all their operations relevant to Wales.”⁹⁴

140. Several witnesses, including Professor Tom O’Malley, pressed for the Assembly to establish a standing committee to monitor media issues in Wales.

Our view

Governance

141. The current governance arrangements for the BBC are unsatisfactory and can lead to confusion about the respective roles of the BBC Executive and Trust. Further, we feel that they have done little to ensure the delivery of programming for Wales that reflects its national identities.

142. We believe that the governance structure of the BBC should support more local decision-making and be fit for that purpose. As such, **we support the move to a federal structure for the BBC. Under such a structure, greater power and responsibility should be transferred to BBC Cymru Wales, enabling it to have greater editorial control over commissioning and decision-making.**

143. There are, of course, other views about the most appropriate new governance model, including that preferred by the BBC Executive and BBC Trust of a unitary board and a standalone regulator, and we note that the Clementi review of the BBC’s governance and regulation is underway.

⁹³ Written evidence, BCR 05

⁹⁴ [IWA Wales Media Audit 2015](#)

144. Whichever governance and regulatory framework is settled upon for the BBC, it is vital that Wales has a strong voice within it. To this end, we believe that the appointment of the Welsh representative(s) within that framework should be agreed between the Welsh and UK Governments, in consultation with the Assembly.

145. We support the BBC Director General's proposal for separate service licences for each of the nations. In Wales, we believe this would enable BBC Cymru Wales to better prioritise funding to meet its own priorities and obligations.

Accountability

146. We believe that there should be a direct line of accountability from the BBC to the Assembly for the BBC's output in Wales. Such arrangements should include a requirement on the BBC to report annually to the Assembly about its service provision for Wales, including a statement of accounts, and appear before committees of the Assembly. This should not compromise the editorial independence of the BBC.

147. We welcome the development of a Memorandum of Understanding that will commit the BBC to appearing before the Assembly "on the same basis as it does in the UK Parliament", and that the commitments set out in the Memorandum will be enshrined in the Charter.

We recommend that the BBC reports annually to the Assembly on its outputs and operations that are relevant to Wales, and provides an audited statement of accounts.

We recommend that the BBC appears before committees of the Assembly in relation to matters that are relevant to Wales.

148. The Assembly should strengthen its own arrangements for holding the BBC and other media organisations to account for the services they provide to their audiences in Wales and for the money spent in doing so. In the next Assembly, "broadcasting and the media" should be the sole focus of one committee, reflecting its importance to Welsh life and the economy.

We recommend that the fifth Assembly resolves to establish a committee on communications. This committee would ensure that the BBC and other media organisations operating in Wales are held to account publicly for the delivery of their responsibilities and commitments to Wales.

6. S4C

Funding

Background

149. The Secretary of State for Culture, Media and Sport has a statutory duty to ensure that S4C receives “sufficient funding” to fulfil its remit as a public service broadcaster.⁹⁵

150. Until April 2013, S4C’s funding was provided by the DCMS through a grant linked to inflation. Since then, following decisions made under the last Comprehensive Spending Review, the majority of S4C’s funding has been provided via the licence fee through the BBC Trust, with the DCMS continuing to provide a small grant.

151. In 2011-12, S4C received £101 million from DCMS. In 2014-15, its budget reduced to around £82 million⁹⁶.

152. On 25 November 2015, the UK Government announced that the funding provided by the DCMS to S4C would be reduced from the current £6.7m to £5m by 2019-20. This would amount to a reduction of 26 per cent.

“Sufficient funding”

153. Over the period of the current funding settlement, S4C has experienced a real terms reduction of around 36 per cent in its income.

154. In commenting on this, S4C told us that it had “managed, by and large, to sustain the current comprehensive service within the current settlement”, but that the impact of the funding reductions had included the cessation of its HD service in 2012; a reduction in investment in children’s programming; an absence of original drama for prolonged periods; and a diminished ability to compete for sport rights.⁹⁷

155. S4C also stated that, given the scale of reductions the channel has faced to date, any further savings “would be likely to require a reduction in the range and type of service provided by S4C”.⁹⁸

⁹⁵ [Section 31, Public Bodies Act 2011](#)

⁹⁶ £76 million via the licence fee from the BBC Trust, and around £6.8 million from DCMS

⁹⁷ Written evidence, BCR 11

⁹⁸ Written evidence, BCR 11

156. In July 2015, the Secretary of State told Parliament that it was "reasonable" that S4C should make "the same kinds of efficiency savings that the Government are looking for the BBC to make."⁹⁹ Responding to this, S4C stated:

"It's not unreasonable to think that S4C should do everything within its power to pursue efficiencies [...]. We do argue, though, that, given the scale of the cut that S4C has already received since 2010 (...), it's appropriate to take that into account in considering what scope there may be for efficiencies."¹⁰⁰

157. In addition to the serious concerns expressed by S4C about its funding reductions over this charter period, a number of other respondents also commented on the "disproportionate cuts that have been imposed on S4C to date" and questioned "how fair and appropriate is it for it to shoulder any further cuts."¹⁰¹

158. The Welsh Language Commissioner told us:

"As the only Welsh-medium public television broadcaster in Britain and the only Welsh language television channel in the world, it is vital that S4C continues to serve the Welsh-speaking audience with financial security and adequate resources to achieve its purpose."¹⁰²

159. These concerns about funding reductions and S4C's ability to continue to support the Welsh language, were echoed by a number of respondents, including Equity, the Arts Council of Wales, Dr John Geraint and BECTU.

160. In BECTU's view, it would be "absolutely catastrophic" if S4C was asked to make further cuts, and it "would mean the end of S4C".¹⁰³ Similarly, the IWA stated that S4C's funding must be sustained "if it is not to be pushed into a cycle of decline".¹⁰⁴

161. The Welsh Government stated that it was "inevitable" that the scale of cuts that have faced S4C would impact on the output available to viewers, and that it has "consistently stated" that there should be no further cuts to S4C's budget. It also noted that S4C's current funding agreements will

⁹⁹ [Hansard, 6 July 2015](#)

¹⁰⁰ RoP, para 35, 4 November 2015

¹⁰¹ Written evidence, BCR 06

¹⁰² Written evidence, BCR 06

¹⁰³ RoP, para 145, 4 November 2015

¹⁰⁴ [IWA Wales Media Audit 2015](#)

expire within the next two years, and that it is “vital” that future funding from DCMS is agreed “as soon as possible”.

162. S4C has called for an independent review of “the challenges facing a Welsh-language broadcaster for the next five or 10 years—taking everything into account in terms of the way the media are developing, the opportunities there for a media organisation to do more, the challenges facing the language and what the needs of today’s Wales are in terms of the Welsh language”.¹⁰⁵

163. Cymdeithas yr Iaith Gymraeg also called for a thorough review to determine what level of funding is sufficient for S4C, rather than this being arbitrary.

Protection of funding

164. A number of respondents, including Equity, called for S4C’s funding arrangements to be protected, particularly in light of the funding reductions already experienced by the channel.

165. Further, some respondents were concerned that the BBC Trust could begin to regard S4C as a service to be funded out of Wales’s overall share of the licence fee revenue, requiring it to compete with other BBC services in Wales for funding. The BBC Trust itself described S4C as “an important part of how the BBC serves its audiences in the nations.”¹⁰⁶

166. S4C argued strongly that its funding needs “should be considered in their own right (...) and separate to consideration of the BBC’s provision for the nations more generally”¹⁰⁷. It also called for its funding from the licence fee to be protected for a set period, and for its licence fee funding to be determined separately to the BBC Charter review itself.

167. Cymdeithas yr Iaith Gymraeg argued that S4C’s share of the licence fee should go straight to S4C, rather than being routed through the BBC to ensure S4C’s independence. It called for greater investment in S4C, and the adoption of a statutory funding formula to ensure its long-term security.

168. TAC called for S4C to receive “a one-off 10% increase to its mixed public funding from DCMS and the Licence Fee, and for this to be linked to inflation going forward, as the TV Licence Fee itself has now been.”

¹⁰⁵ RoP, para 22, 4 November 2015

¹⁰⁶ BBC Trust response to UK Government Green Paper

¹⁰⁷ Written evidence, BCR 11

169. On 3 February 2016, the Secretary of State for Culture, Media and Sport announced that S4C would be given an extra £400,000 by the UK Government, reversing the first year of proposed grant cuts. He also announced a "comprehensive review" of S4C's remit, governance and funding.¹⁰⁸

170. On 17 February 2016, S4C received confirmation from the BBC Trust that its funding from the licence fee will not be reduced between 2016-18. The channel will receive £74.5m in both 2016-17 and 2017-18.

Governance, accountability and operational links with the BBC

171. The S4C Authority has a duty to ensure that S4C complies with its public service broadcaster (PSB) obligations. It is accountable, in the first instance, to the UK Parliament, and also to the BBC Trust following new funding arrangements put in place in 2013.

172. Since these new funding arrangements, the S4C Authority and the BBC Trust have an Operating Agreement that defines the purposes for which the licence fee funding it receives should be used. The Operating Agreement currently safeguards S4C's editorial and operational independence. However, in extreme circumstances, it also allows the BBC Trust to withdraw the licence fee funding from S4C.

173. In S4C's view, these arrangements "provide appropriate accountability to the BBC's regulatory body and guardian of the Licence Fee whilst at the same time ensuring the continuing independence of a PSB".

174. However, S4C also stressed the importance of having a body independent of the BBC Executive "as the conduit by which funding from the Licence Fee is provided to S4C". It said that the existence of such a body helped to avoid conflict between the BBC's own interests and those of an independent broadcaster such as S4C. S4C also emphasised the importance of retaining its operational and editorial independence after the renewal of the Charter.

¹⁰⁸ [Press release, Secretary of State for Culture, Media and Sport, 3 February 2016](#)

175. We heard evidence from a number of respondents questioning why S4C was not accountable to the Welsh Government or the Assembly. Both Equity and BECTU commented on this, with Equity stating that it was “absurd that the National Broadcaster for Wales does not have any formal relationship with the National Assembly.”¹⁰⁹

176. Cymdeithas yr Iaith Gymraeg were similarly concerned about the current arrangements:

“It simply isn’t acceptable that a department in Whitehall with a Minister who doesn’t represent Wales makes a decision about the only Welsh-language channel in existence.”¹¹⁰

177. Professor Tom O’Malley called for S4C to be “re-established as a separate body, answerable to the Welsh Government”.¹¹¹

Remit and performance

178. As a public service broadcaster, S4C has a statutory duty to provide a broad range of high-quality and diverse programming, as well as information, education and entertainment for the public in Wales.

179. Some respondents told us that S4C’s statutory remit to provide linear television programmes was outdated and unsuited to Welsh language broadcasting needs over the next ten years. We heard that this rigid remit prevented S4C from being more radical and entering into innovative partnerships with other Welsh-language organisations.

180. As such, some witnesses suggested that S4C should be redefined as a content provider, rather than a linear television channel. S4C itself agreed that this would be desirable.

181. Separately, the UK Government has questioned the value for money of services for indigenous languages when audience figures are declining and announced its intention to review minority language broadcasting as part of the Charter review.¹¹² However, S4C has argued that its success should be defined beyond viewing figures, and that appreciation levels and the channel’s impact on the Welsh language and economy should also be taken into account.

¹⁰⁹ Written evidence, BRC 04

¹¹⁰ RoP, para 79, 2 December 2015

¹¹¹ Written evidence, BRC 01

¹¹² UK Government Green Paper

182. The Welsh Government has echoed this view, stating that it is “extremely disappointed” that the UK Government has questioned the value of indigenous language services in “purely financial terms without any regard for their cultural or social importance”. The Welsh Government has called for an independent review of the partnership between S4C and the BBC, “agreed by all parties in the National Assembly”.

183. Cymdeithas yr Iaith Gymraeg said that the best way to improve Welsh-language broadcasting was to expand S4C services rather than rely solely on the BBC. It cited the lack of an S4C High Definition service as an example of failures caused by significant cuts and structural changes. It called for a new S4C that was suited to the age of convergence and new technological developments.¹¹³

Our view

184. The 36 per cent real terms funding reductions imposed on S4C since 2010 have been both severe and disproportionate.

185. As the only Welsh medium public television broadcaster, it is vital that S4C’s funding is sufficient to meet its PSB obligations to its audiences. It is hard to see how S4C will be able to meet these obligations if faced with further budget reductions in addition to the efficiency savings it has already had to make. Indeed, we are concerned that the need to find additional future savings could put intolerable pressure on the channel.

186. Given the scale of the funding cuts experienced to date, we believe it is vital that future funding for S4C is, at a minimum, sustained at current levels. Further, we believe that S4C’s future funding needs should be considered on their own merits, and not as part of the BBC’s overall service provision for Wales. Such an arrangement would reflect the appreciation for the channel expressed by its audiences, as well as its positive impact on the Welsh language and economy.

187. The continuing operational and editorial independence of S4C from the BBC Executive needs to be guaranteed. To achieve this, arrangements for S4C’s future funding should be defined and protected. Channelling S4C’s funding from the licence fee via the Welsh Government could be an effective means of achieving this. Longer term, we believe there is merit in the consideration of a funding formula for the channel.

¹¹³ Written evidence, BRC 14

188. In relation to S4C's statutory remit, we believe that this has proved to be a limiting factor in the Channel's ability to be innovative and responsive to the increasingly diverse needs of its audiences. As such, the remit is no longer suited to Welsh language broadcasting requirements in the long term. We support the calls for S4C's remit to be redefined as a content provider.

189. In terms of accountability arrangements, we note that S4C is currently accountable to both Parliament (under statute) and the BBC Trust (by way of the Operating Agreement). We believe there is merit in formalising the lines of accountability between S4C and the Assembly, and that this could be achieved by the introduction of arrangements for S4C to submit annual reports and audited accounts to the Assembly. We consider that an Agreement or Memorandum of Understanding could be developed for this purpose.

190. We welcome the recent announcement by the Secretary of State for Culture, Media and Sport, that the UK Government will undertake a comprehensive review of S4C's remit, governance and funding in 2017. We also welcome his decision to provide an additional £400,000 of funding for the channel in 2016-17, and the certainty that provides for S4C going forward. Further, we welcome the BBC Trust's recent announcement to maintain S4C's funding from the licence fee at current levels until 2018.

We recommend that, as part of the UK Government's review of S4C's remit, governance and funding, S4C's future funding needs are considered on their own merits, separate to the BBC's overall service provision for Wales.

We recommend that lines of accountability between S4C and the Assembly are formalised by way of an agreement committing S4C to submit annual reports and audited accounts to the Assembly, and to appear before Assembly committees.

Annexe: Our inquiry

191. On 24 September 2015, the Committee agreed to undertake an inquiry into the BBC Charter review.

Terms of reference

192. The Committee agreed the following terms of reference for the inquiry:

To consider the implications of BBC Charter review for Wales, with a focus on:

- The future provision of the BBC's services in Wales, in both the English and Welsh languages;
- The BBC's current and future funding, governance and accountability arrangements as they relate to Wales;
- S4C's future, including its funding, operating and governance arrangements, and the services it provides;
- How Wales's interests are being represented during the renewal process.

Approach

193. Between 25 September 2015 and 30 October 2015, the Committee conducted a public consultation to inform its work, based on the agreed terms of reference. 20 [responses](#) were received and published on the Assembly's website.

194. In addition, the Committee held oral evidence sessions with a number of witnesses. A [schedule of oral evidence](#) is also available on the Committee's website.

195. The Committee would like to thank those who contributed to its inquiry.