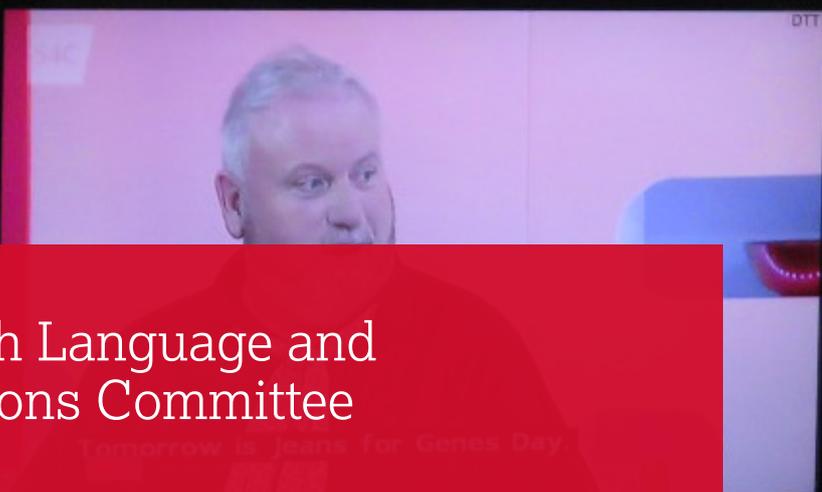


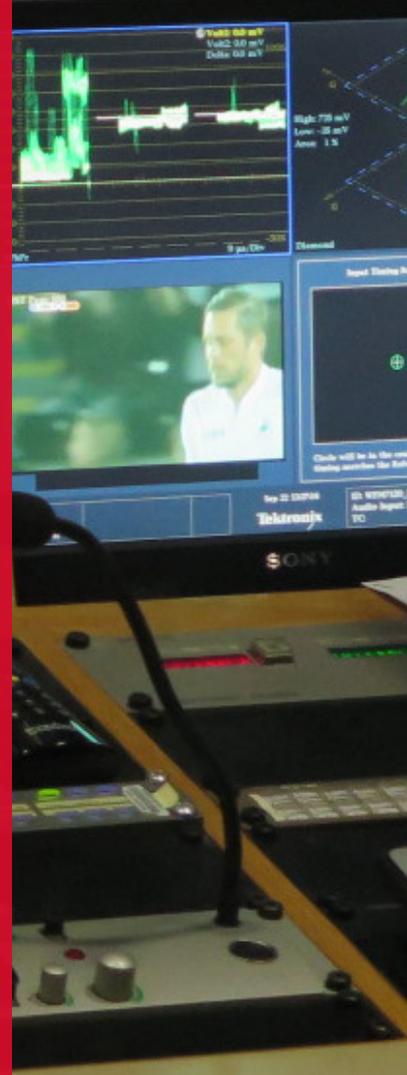
P 006:34
S 000:20
D 000:02
30 001:30
DV 000:03
RY 000:20
4C 002:00
onn 001:35
E 000:02
IR 000:20
D 000:13
2 000:15
e1 012:56



Culture, Welsh Language and Communications Committee

The Big Picture The Committee's Initial Views on Broadcasting in Wales

February 2017



National Assembly for Wales
Culture, Welsh Language and Communications Committee

The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

An electronic copy of this report can be found on the National Assembly's website:
www.assembly.wales/SeneddCWLC

Copies of this report can also be obtained in accessible formats including Braille, large print; audio or hard copy from:

Culture, Welsh Language and Communications Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: **0300 200 6565**
Email: **SeneddCWLC@assembly.wales**
Twitter: **@SeneddCWLC**

© National Assembly for Wales Commission Copyright 2017

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the National Assembly for Wales Commission and the title of the document specified.

Culture, Welsh Language and
Communications Committee

The Big Picture
The Committee's Initial Views on
Broadcasting in Wales

February 2017



National Assembly for Wales
Culture, Welsh Language and Communications Committee

Culture, Welsh Language and Communications Committee

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

Current Committee membership:



Bethan Jenkins AM (Chair)
Plaid Cymru
South Wales West



Hannah Blythyn AM
Welsh Labour
Delyn



Dawn Bowden AM
Welsh Labour
Merthyr Tydfil and Rhymer



Suzy Davies AM
Welsh Conservative
South Wales West



Neil Hamilton AM
UKIP Wales
Mid and West Wales



Dai Lloyd AM
Plaid Cymru
South Wales West



Jeremy Miles AM
Welsh Labour
Neath



Lee Waters AM
Welsh Labour
Llanelli

Contents

Foreword	5
01. BBC	9
02. S4C	19
03. ITV Cymru Wales	26
04. Ofcom	29

Foreword

Although most aspects of broadcasting and media policy are not devolved to Wales, the role of broadcasters and the media in Wales is of enormous cultural and political importance. While these issues may not be formally devolved, the National Assembly has a clear and legitimate interest in holding broadcasters, and the media more generally, to account: particularly in relation to the way that Wales and Welsh society are portrayed and reflected by public service broadcasters.

The importance of this area was recognised in the last Assembly when the Communities, Equality and Local Government Committee recommended that this Assembly should establish a Committee with a specific focus on communications, broadcasting and the media. The Culture, Welsh Language and Communications Committee is the fruit of that recommendation. We intend to look at all aspects of broadcasting and the media during this Assembly. In the short to medium term we intend to carry out Committee Inquiries to look into:

- the UK Government’s planned review of the remit, funding and accountability of S4C;
- local media and local news journalism in Wales;
- commercial radio in Wales; and
- the portrayal of Wales on UK broadcast networks.

However, at the outset, we decided as a Committee that it was important for us to familiarise ourselves with the broad issues and background before carrying out more detailed pieces of work. As a result, we have held a number of evidence sessions, and carried out a number of visits, looking at the media in Wales.

The Committee has taken formal evidence from the following:

- BBC Wales 6 October 2016;¹
- ITV Wales 6 October 2016;²
- S4C 6 October 2016;³
- BBC Director General 2 November 2016;⁴ and
- Ofcom 20 October 2016.⁵

The Committee has also visited:

- Wales Online’s offices;
- the S4C offices;
- the BBC’s Roath Lock studio; and

¹ [Meeting Transcript - Culture Welsh Language and Communications Committee \(CWLC\), 6 October 2016](http://senedd.assembly.wales/mglssueHistoryHome.aspx?IId=15157) (<http://senedd.assembly.wales/mglssueHistoryHome.aspx?IId=15157>)

² *ibid*

³ *ibid*

⁴ [Meeting Transcript – CWLC, 2 November 2016](http://senedd.assembly.wales/mglssueHistoryHome.aspx?IId=15157) (<http://senedd.assembly.wales/mglssueHistoryHome.aspx?IId=15157>)

⁵ [Meeting Transcript – CWLC, 20 October 2016](http://senedd.assembly.wales/mglssueHistoryHome.aspx?IId=15157) (<http://senedd.assembly.wales/mglssueHistoryHome.aspx?IId=15157>)

– ITV Wales’s Cardiff Bay studio.

This is the first therefore in a strand of work in which we intend to look at broadcasting and the media in Wales. This report provides a foundation for the more focused work we intend to undertake in future. It also provides us with an opportunity to highlight our initial views on the key issues facing the media in Wales and to contribute to the ongoing debate about whether Wales gets the media it deserves.

Recommendations

Recommendation 1. We recommend that the BBC Director General should provide an additional £30 million annually for English language drama and broadcasting about Wales. Page 11

Recommendation 2. We recommend that there should be no reduction in the current proportion of network spending in Wales, and that it should do more to reflect and portray Welsh society and perspectives. Page 11

Recommendation 3. We support a Wales news opt-out for Radio 2 and Radio 1 and recommend that the BBC provides the necessary funding to bring this about. Page 11

Recommendation 4. Given our concerns about the possible unintended consequences of the approach the BBC has adopted, we recommend that the BBC should critically review their plans to embed BBC journalists in local media organisations. As an alternative to embedding journalists, we recommend that the BBC considers investing in a ‘wire’ type service to provide local news that can be used by local media organisations on matters where local reporting has declined, such as local court and council reporting. Page 14

Recommendation 5. We recommend that the Welsh Government should withhold its consent to the appointment of the new BBC Board member for Wales until there has been an opportunity for the Committee to hold a pre-appointment hearing with the UK Government’s nominee for the post. Page 18

Recommendation 6. We recommend that there should be no further cuts to S4C’s funding until the planned review has been completed and there has been an opportunity for reflection on its conclusions by all those with a stake in the future of S4C. Page 21

Recommendation 7. We recommend that the National Assembly should agree that the S4C Authority should lay before the Assembly annual reports and audited statements of accounts. Page 23

Recommendation 8. We recommend that the UK Government and Ofcom consider amending Ofcom’s Code of Practice for EPG providers to ensure that S4C receives greater prominence in Wales on Electronic Programme Guides and smart TV applications, such as the BBC’s i-player. Page 25

Recommendation 9. We recommend that ITV Studios follows the BBC and adopts a more pro-active approach to developing programmes for broadcast on the ITV network including setting specific goals for developing network output from Wales, which reflects life in Wales. Page 28

Recommendation 10. We recommend that ITV, Channel 4 and Channel 5 should provide an annual update to the Assembly, through the Committee, setting out information on the portrayal of Wales on their networks. Page 28

Recommendation 11. We call on Ofcom to assess what powers it has to increase Channel 4’s out of England quotas ahead of the next licence renewal in 2024 and in doing so revisit the more challenging options for increasing the quota that were considered in 2013-14. Page 33

01. BBC

Finance

1. Between 2006-7 and 2014-15 BBC Cymru Wales's spend on English language TV output for Welsh audiences reduced from £24.6 million to £20.8 million. This has subsequently risen to £22.5 million in 2015-16. In 2015-16 English Language television output (excluding repeats) was 641 hours, a 21% reduction from a recent peak of 814 hours in 2006-7.
2. The BBC's own Audience Council for Wales noted that, "cuts have brought the BBC Wales non-news television provision closer to the cliff edge".⁶
3. Towards the end of the last Assembly, the Communities, Equality and Local Government Committee (CELG) conducted an inquiry⁷ into how the BBC Charter should reflect Welsh interests. One of its recommendations was that the BBC should invest an additional £30 million a year into the services it provides for Wales. This call has also been made by the Institute of Welsh Affairs (in its Wales Media Audit 2015⁸) and the Welsh Government⁹.
4. Lord Hall, the BBC's Director General, has long acknowledged the problem of funding for English language broadcasting in Wales. In May 2016, in a letter¹⁰ to the Secretary of State and First Ministers of the devolved nations, Lord Hall stated that "the funding for English language content made in Wales for a Welsh audience has dropped to unsustainable levels". Lord Hall acknowledged the problem at a reception in the Assembly back in 2014, admitting that "English language programming from and for Wales has been in decline for almost a decade".¹¹
5. Mr Rhodri Talfan Davies, the Director of BBC Wales, explained that the BBC is currently in a process of deciding where cuts will fall – to enable it to cope with the cash-flat licence fee settlement – which will be followed by a decision about future investment priorities.
6. Lord Hall has described¹² (March 2016) the BBC's funding situation as follows:

"We said last July that the licence fee agreement meant flat cash for the BBC through to 2022. Of course in real terms, that means a cut in our income of 10 per cent.

But the true picture is much tougher, because the BBC cannot stand still.

⁶ **BBC Audience Council for Wales, Wales Annual Review 2014-15**

(http://www.bbc.co.uk/bbctrust/who_we_are/audience_councils/wales/wales_annual_review/wales_annual_review_2014_15.html)

⁷ **Communities, Equality and Local Government Committee (CELG) - Inquiry into the BBC Charter Review**

(<http://senedd.assembly.wales/mgIssueHistoryHome.aspx?Iid=13600&AIID=24622>)

⁸ **IWA Media Audit 2015** (<http://www.iwa.wales/news/2015/11/iwa-wales-media-audit-2015/>)

⁹ **Wales must have a fair BBC deal as cuts threaten to undermine Welsh culture, warns First Minister of Wales, Welsh Government Press Release, 17 August 2015**(<http://gov.wales/newsroom/firstminister/2015/150817-bbc-fair-funding/?lang=en>)

¹⁰ **BBC Director-General Letter of 12 May** (<http://downloads.bbc.co.uk/mediacentre/nations-progress-update.pdf>)

¹¹ **Tony Hall: BBC's English language TV programming in Wales 'eroded', 1 April 2014**

(<http://www.bbc.co.uk/news/uk-wales-26840089>)

¹² **Speech by Director-General of the BBC, 8 March 2016** (<http://www.bbc.co.uk/mediacentre/speeches/2016/tony-hall-enders>)

We need to absorb the falls in TV penetration that create an annual loss in income of £150m. We need to cope with rapid inflation in areas such as drama and sport. And we need to reinvest to stay competitive.

The overall result is that, by 2022, the BBC will need to make overall savings of £800 million a year. That's 23 per cent – and in some parts of the BBC, it will be more.”

7. BBC Cymru Wales's share of these savings is expected to be £9 million a year. Mr Talfan Davies told the Committee in October that BBC Cymru Wales expected to have decided where its savings would fall in the coming 2-3 months, whilst describing additional investment in English language TV in Wales as an “absolute priority”.

8. The Director General has provided assurances that BBC Wales will receive additional funding for English language programming, without providing details of how much this will be. He told the Committee that in March 2017 he would be able to say how much extra money would be allocated for English language broadcasting in Wales. He called this “the only commitment I have made to anybody” regarding further funding. He claimed that March 2017 was the earliest opportunity to confirm how much extra money would be available, as “we couldn't bank anything until the Charter is absolutely signed and the agreement is all done”.

9. Mr Talfan Davies discussed with the Committee the possibility of an opt-out on Radio 2 news to allow for a Welsh news bulletin. He estimated that this proposal would cost £0.5 million in distribution costs, along with an editorial cost for providing the new news bulletin. Lord Hall has previously told the Committee *that a Wales opt-out for Radio 1 and Radio 2 news was* “absolutely on the agenda for the news review”.

10. Since about 2006 BBC network spend has increased in Wales, to the extent that in 2014-15 Wales secured 7.8% – or £59.1 million – of UK BBC network television spend, greater than its 4.9% population share. Under the BBC Charter – which came into force in January 2017 – one of Ofcom's duties will be ensuring that a “*suitable proportion*” of network programmes is made outside of London, including in each of the UK's nations. Back in 2006 the BBC set itself the target of investing 17% of its overall network spend in the devolved nations, broadly in line with their combined population size. The UK Government intends for this minimum requirement not to be reduced.

Our View

We welcome the firm commitment from the BBC's Director General that BBC Cymru Wales will receive additional funding for English language broadcasting in Wales. We understand that he will not be able to confirm how much extra funding will be available until March. Lord Hall has agreed to attend the Committee's meeting around that time and we expect that he will be able to use that opportunity to announce significant extra funding for English language broadcasting in Wales.

As to how much that extra funding should be, we note that the Fourth Assembly's Communities, Equality and Local Government Committee and the Institute of Welsh Affairs' respected Media Policy Group called for an additional £30 million annually, a figure that has been supported by the Welsh Government.

We echo these recommendations. An extra £30 million for English language programming would potentially allow for a doubling of the output and for BBC Wales to produce quality programmes that have a better chance of earning a place on the BBC network.

Recommendation 1. We recommend that the BBC Director General should provide an additional £30 million annually for English language drama and broadcasting about Wales.

We also note that Wales has secured more than its population share of spending by the BBC in Wales. Again, this is welcome and reflects the considerable success of the Roath Lock complex and the programmes that are made there. However, much of this spending does little to reflect a distinctly Welsh identity and viewpoint whether that be to Wales itself, to the other nations and regions of the UK or internationally.

Recommendation 2. We recommend that there should be no reduction in the current proportion of network spending in Wales, and that it should do more to reflect and portray Welsh society and perspectives.

Radio 2 is the most listened to radio station in Wales and yet provides virtually no Welsh specific news content.¹³ We note that a Wales news opt-out for Radio 2 and Radio 1 will be considered as part of the BBC's news review. This is not before time. The news output of these stations does little to promote the very distinctive news agendas in Wales or elsewhere in the UK and does much to create and reinforce confusion about responsibility for political decisions within the different nations of the UK.

Recommendation 3. We support a Wales news opt-out for Radio 2 and Radio 1 and recommend that the BBC provides the necessary funding to bring this about.

Relationship between BBC Cymru Wales and S4C

11. In 2011-12, under the previous arrangements, S4C received £101 million from the UK Government Department for Culture, Media and Sport. That funding was reduced to around £7 million per year from 2013-14, with the BBC providing £76.3 million. The BBC's element reduced further to £74.5 million in 2016-17. The recently published Draft BBC Charter set out that this funding from the licence fee will remain constant in cash terms until 2020-21 (a real terms cut of approximately 10% by 2020-21). Overall, the changes have meant that S4C has faced budget reductions of at least 36 per cent in real terms since 2010.¹⁴ The DCMS's current contribution remains at 2015-16 levels (£6.8 million) in 2016-17, pending the conclusions of the UK Government's review into S4C, planned for 2017. S4C has welcomed the "element of stability" provided by the licence fee settlement.

12. The Committee heard that BBC Cymru Wales and S4C currently have a mutually beneficial collaborative relationship. Rhodri Talfan Davies told the Committee:

"It's a very sensible, mature arrangement, but it is underpinned by an operating agreement that gives both broadcasters confidence that their ability to take independent executive decisions on editorial and managerial matters is safeguarded."

¹³ [IWA Media Audit 2015](http://www.iwa.wales/news/2015/11/iwa-wales-media-audit-2015/) (http://www.iwa.wales/news/2015/11/iwa-wales-media-audit-2015/)

¹⁴ *ibid*

13. The Committee heard that this *arrangement took* “12 to 18 months to iron out after the licence fee arrangement back in 2011”. Mr Talfan Davies was confident that, though the arrangement between the two will need modification to reflect the new governance arrangements under the new BBC Charter, independence of both broadcasters would be safeguarded.

Our View

We say more about the relationship between S4C and the BBC in the S4C section of this report.

Drama Portrayal

14. In terms of improving non-news portrayal of Wales, Mr Talfan Davies told the Committee that the BBC is introducing a drama commissioning editor and Writers’ Room (a development team for new drama and comedy writers) for each nation in the UK. He said that the “final part” was “just working harder at it”.

15. The Drama Commissioners for the nations will be network commissioners, working to the new Controller of BBC Drama Commissioning. Mr Talfan Davies stated that he hoped the Wales Commissioner would:

“...focus on talent here in Wales and work closely with BBC Studios and a number of independent companies that are interested in developing talent.”

16. When discussing the commissioning process with the Committee, Mr Talfan Davies said that one area under consideration was “looking at how local commissioners – or commissioners based in the nations – might commission directly onto network channels”.

17. Lord Hall explained that, rather than having specific budgets, these new Drama Commissioners will bid into the UK-wide network drama budget. He also confirmed that the Commissioner for Wales would be based in Wales.

18. Lord Hall told the Committee that “every network genre in television now has a portrayal objective”. He went on to explain:

“That’s monitored quarterly, the data is looked at with Rhodri and other directors from nations with Charlotte Moore (Director of BBC Content), meeting to go through that analysis. It’s a quarterly meeting with the director of content.”

Our View

We welcome the BBC’s decision to appoint a drama commissioner for Wales. We welcome in particular Lord Hall’s commitment that the new commissioner will be based in Wales. We look forward to welcoming the commissioner once appointed and inviting them to speak to the Committee about their priorities and approach.

We note and welcome the work done by the BBC to monitor portrayal in its network productions, and we will ask the BBC to share this data with the Committee. In order for us to effectively assess the volume of Welsh portrayal we would like to see the full data used by the BBC to measure this, rather than simply the names of television and radio shows. We intend to pursue this issue with the BBC.

News

19. In terms of improving news portrayal of Wales, Lord Hall noted that the BBC is currently undertaking a review into the balance between network news provision and news provision in each of the nations.

20. Lord Hall told the Committee that one of the “key issues” he had been discussing with Mr Talfan Davies was about radio news, and “whether there was another way of delivering a Wales element of news summaries on radio that would work well”.

21. In May 2016 BBC announced a number of plans to improve scrutiny of local democracy in the UK.¹⁵ These plans include:

- The establishment of a reporting service to cover local authorities and public services. The BBC plans to fund 150 journalists from 2017, who will be employed by qualifying local news organisations to provide a service to local news providers including the BBC.
- A video news bank enabling BBC local video and audio news content to be accessed by other local news media websites.
- The BBC will invest in a data journalism unit which will work with partners across the industry to develop expertise and deliver content to all local news providers.
- An independent audit to establish the usage of local press content by the BBC on its media platforms, and vice versa. The outcome of the independent audit will inform a review of the BBC’s efforts to improve the linking and attribution of stories and sources.

22. Implementing these plans is likely to cost in the region of £8 million a year. When discussing these proposals with the Committee, Mr Talfan Davies said that it was right to consider the possible “unintended consequence” of the BBC funding journalists to work in local news organisations, but that:

“The scale of the licence fee, and the scale of the BBC, means that we should be looking wherever we can to support the wider media ecology.”

23. Lord Hall confirmed that these plans will go ahead.

Our View

We welcome the review into the balance between network news provision and news provision in each of the nations. We look forward to hearing its conclusions and what practical steps will result to tackle the news deficit in Wales.

We are glad that the BBC is actively looking at ways of helping improve the scrutiny of local democracy in the UK. However, we are concerned that the plans to place BBC journalists in local media organisations may have the unintended consequence that these organisations respond by cutting back their own provision in these areas.

We intend to follow developments in this area closely but believe that many of our concerns might be eased if the BBC were to instead invest in a ‘wire’ type service to

¹⁵ **BBC and the News Media Association plans for new partnership, 20 May 2016**
(<http://www.bbc.co.uk/mediacentre/latestnews/2016/bbc-nma-partnership>)

provide local news for use by local media organisations. Such a service should be focussed on areas of specific market failure and where local reporting has declined, for example local court and council reporting.

Recommendation 4. Given our concerns about the possible unintended consequences of the approach the BBC has adopted, we recommend that the BBC should critically review their plans to embed BBC journalists in local media organisations. As an alternative to embedding journalists, we recommend that the BBC considers investing in a ‘wire’ type service to provide local news that can be used by local media organisations on matters where local reporting has declined, such as local court and council reporting.

BBC Studios

24. The BBC plans for its production division - BBC Studios - to become a wholly-owned commercial subsidiary of the BBC Group and operate in the market. It would produce programmes for the BBC and other broadcasters in the UK and internationally, and return all profits to the BBC Group.

25. As part of these plans, the BBC is also proposing to remove its overall in-house guarantee of 50 per cent, meaning that external producers would be able to compete for a much greater proportion of BBC network commissioning spend.

26. In September 2016 the BBC announced¹⁶ the first returning network television series to be put out to competitive tender, as part of its plan to open up the production of more network commissions to competition. The BBC agreed to release 40 percent of its existing in-house guarantee in certain genres to competition over the next two years, to be extended over the course of the Charter period.

27. On 13 October 2016 the BBC announced that the number of staff at BBC Studios would be reduced by around 300. The BBC stated¹⁷ that “these changes will impact almost all our bases, but the biggest impact is in England”. However, 27 of these jobs are likely to be in Wales: 9 per cent of the total number of job losses, greater than the 7.8 per cent of BBC network spending taking place in Wales.



Committee visit to BBC Studios, September 2016'

¹⁶ **BBC names first shows in new competitive tendering plan, 20 September 2016**

(<http://www.bbc.co.uk/mediacentre/latestnews/2016/BBC-first-shows-competitive-tendering>)

¹⁷ **Reshaping BBC Studios for a new era, 13 October 2016**

(<http://www.bbc.co.uk/mediacentre/latestnews/2016/reshaping-studios>)

28. Mr Talfan Davies told the CELG Committee last year that “the proposals for BBC Studios potentially could see Roath Lock as the absolute primary centre for drama production in the UK for the BBC but a seller of ideas to global audiences”. He told this Committee that, with the removal of the in-house guarantee of 50 per cent, “there will be huge opportunities for the independent sector”.

29. The Welsh Government has expressed concern about the BBC Studios proposals throughout the Charter Review process. In a letter sent to Lord Hall following the announcement of job losses, Alun Davies AM, Welsh Government Minister with responsibility for broadcasting policy, stated:

“We are not persuaded that a significant scaling back of BBC in-house production - which may well be the outcome of an entirely market driven approach to commissioning within the BBC - would be beneficial overall. We are concerned about the potential impact that any such scaling back might have on the BBC’s production hubs in the nations and regions, such as Roath Lock studios in Cardiff Bay, especially as Ofcom has yet to give a view on whether the quotas for production in the nations and regions will change when it sets the BBC’s operating licences in due course. This announcement shows that we are right to be concerned. As the quotas for independent production are also unchanged, there is no guarantee either that any reduction in BBC production in Wales will be offset by more successful commissions from our independent production sector.”

Our View

We are concerned at the impact the advent of BBC Studios may have on the BBC’s ability to meet its regional and national network spend targets. We believe that both the BBC and Ofcom should monitor the position to ensure that these targets are met.

We also share the concern of the Welsh Government about the future of the Roath Lock Studios once the BBC can no longer guarantee that the drama productions currently made there continue to be made by the BBC.

Although BBC studios will be free under the new arrangement to bid for commissions from other broadcasters, there is no guarantee - and must be considerable doubt - that it will be able to do so successfully.

Governance

30. The new Charter for the BBC proposes a number of changes to the governance of the BBC. These include:

- A strengthened public purpose which states that the BBC must “reflect, represent and serve the diverse communities of all of the UK’s nations and regions and, in doing so, support the creative economy across the UK”.
- Accountability arrangements between the BBC, the Welsh Government and the National Assembly for Wales were established in a Memorandum of Understanding¹⁸ earlier this year. These have been re-affirmed in the new Charter, which states that the BBC must comply with

¹⁸ [Memorandum of Understanding Between the UK and Welsh Governments and the BBC](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/520003/Welsh_MoU.pdf)

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/520003/Welsh_MoU.pdf

requests to provide evidence or submit reports to Assembly committees in the same manner as they do committees of the Houses of Parliament. The Welsh Government must be consulted when the Charter is reviewed or renewed.

- The BBC’s annual plan, report and accounts must include details of provision for the UK’s nations and regions.
- The new BBC Board – which will govern the BBC – will have a non-executive director from Wales, whose appointment will be agreed between the UK and Welsh Governments. Lord Hall was critical of initial proposals (in the Clementi Review¹⁹) for half of the board members to be appointed by the UK Government DCMS. However, following the publication of the Draft Charter²⁰ he said:

“The BBC is a public service broadcaster - not a state broadcaster. I am glad they (the UK Government) have reconsidered. There will now be an equal number of board-appointed Non-Executive Directors alongside the ones appointed by the Government. And there will now be four Executive directors on the board too. An independent and strong BBC is what the public want and demand.”

- Ofcom has a new role in regulating the BBC, including ensuring that audiences in the individual nations are “well served”. Ofcom must “secure the provision of more distinctive output and services” on the BBC.

31. As well as policing content, Ofcom will be responsible for ensuring that a “suitable proportion” of network programmes are made outside of London, including in each of the UK’s nations. Back in 2006 the BBC set itself the target of investing 17% of its overall network spend in the devolved nations, broadly in line with their combined population size: something it has exceeded in Wales. The UK Government intends for this minimum requirement not to be reduced.

32. Lord Hall has also announced his intentions to establish:

- A sub-committee of the Board for each nation overseeing their dedicated services. He fleshed this idea out when he gave evidence to the Committee, stating:

“What I’ve also proposed, but, again, it depends on the new chair, is that the non-executive director who is appointed in conjunction with the Senedd, that person and maybe one other non-executive director, plus Rhodri, plus—my own view is, but this is only my own view—maybe a couple of people from outside the BBC, but representing Wales, should then hold to account the director of Wales for delivery of the objectives we set out in the service licence agreement.”

- A separate “licence” for all the dedicated services provided for audiences in each of the nations. Mr Talfan Davies told the Committee that this licence would provide a “clear

¹⁹ **A Review of the Governance and Regulation of the BBC, March 2016**

<https://www.gov.uk/government/publications/a-review-of-the-governance-and-regulation-of-the-bbc>

²⁰ **BBC Statement on Draft New Charter and Arrangement, 15 September 2016**

<http://www.bbc.co.uk/mediacentre/latestnews/2016/statement-on-draft-charter>

encapsulation of what the BBC's commitments are to Wales" and that, "from an executive point of view" it could be a "major benefit in terms of improving accountability".

- He stated that its establishment would be a decision for the new chair of the BBC, in discussion with Ofcom.

33. Lord Hall told the CELG Committee last November that

"the strength of this (proposal) is that, in Wales, there is much more authority to Rhodri, or whoever's the director, to make decisions that affect Wales directly in Wales."

34. In September the BBC appointed²¹ former director of BBC Scotland Ken McQuarrie to a new role as Director of Nations and Regions. The BBC said he would be responsible for "bringing together and enhancing the BBC's offer to the nations and regions of the UK". The Director will become a member of the BBC's new executive committee. The post of Director of Nations and Regions was previously abolished in 2009. Mr McQuarrie's responsibilities include:

- Representing the voice of audiences outside London.
- Editorial responsibility for all of the content produced by the BBC's nations and regions teams.
- Identifying savings in the nations and regions so that more money can be released for content.

35. Lord Hall explained his rationale for resurrecting this old post to the Committee as follows:

"What I'm trying to do is make sure that, for every public purpose, I've got one person who is absolutely accountable to me to pull together what the BBC is doing right across the piece."

36. He also explained that he had established a UK forum bringing together the directors of the nations, which he chairs.

Our View – Governance

What is lacking in this area and one of the key differences between the current arrangements and the new ones is a clear role for the audience. The new arrangements need to ensure that the voice of the audience is captured and represented in the new governance structures. We are not convinced that the structures proposed give sufficient weight to the audience voice as yet.

Our View – BBC Directors

While we have noted the Director General's rationale for resurrecting the post of BBC Director of Nations and Regions, we must express considerable disappointment that the Director of BBC Cymru Wales will lose membership of the executive body running the BBC. It does not seem to us that the new UK forum, which Lord Hall will Chair, offers the

²¹ [BBC Scotland head Ken MacQuarrie given new UK-wide director role, 22 September 2016](http://www.bbc.co.uk/news/uk-scotland-37440265)
(<http://www.bbc.co.uk/news/uk-scotland-37440265>)

same level of influence that being directly represented on the new Executive Committee will provide.

We would like to welcome Mr Ken McQuarrie to the resurrected post of BBC Director of Nations and Regions. He has a tough job. Representing and balancing the diverse needs of all the nations and regions of the UK will not be an easy task. While we wish him well, we remain to be convinced that one individual can carry out this role effectively. Unfortunately, due to the limited time available to us to question Lord Hall when he appeared before the Committee, we had to decline his offer for Mr McQuarrie to attend the meeting. However, we intend to invite him to attend a future meeting of the Committee when we will want to hear how he intends to balance demands for representation (as opposed to production) across the nations and regions.

Our View – Service License for BBC Cymru Wales

We welcome the concept of a separate ‘licence’ as described by BBC Cymru Wales covering the various services provided by the BBC for Welsh audiences. We believe this could be an improvement on the present situation, where each of the services in Wales is considered separately as a subset of UK services. A single service licence will allow the totality of the service to Wales to be considered in the round, without being a footnote to other matters.

We look forward to hearing more about this proposal and how it can help drive improvement, assuming that the new BBC Chair agrees to introduce it after discussion with Ofcom. If it is introduced, then it is important that it contains specific measurable commitments about what BBC Cymru Wales is expected to deliver.

Our View – Accountability of BBC Cymru Wales to the National Assembly

Finally, we note that the consent of the Welsh Government will be needed before the new BBC Board member for Wales can be appointed. The Committee has indicated²² to the Minister for Lifelong Learning and Welsh Language that the Assembly should have a role in the confirmation process. The Minister replied²³ that he was in favour of ‘confirmation hearings’ for this appointment. He also said that the appointment process will be managed by the UK Government. However, an appointment cannot be made until the Welsh Government has given its consent.

There seems no reason therefore, why the Committee should not be able to hold a pre-appointment hearing with the UK Government’s nominee before Welsh Ministers decide whether to consent to the nomination.

Recommendation 5. We recommend that the Welsh Government should withhold its consent to the appointment of the new BBC Board member for Wales until there has been an opportunity for the Committee to hold a pre-appointment hearing with the UK Government’s nominee for the post.

²² Committee Chair to the Minister for Lifelong Learning and Welsh Language, 22 September 2016

²³ Minister for Lifelong Learning and Welsh Language to the Committee Chair, 24 October 2016

02. S4C



Committee visit to S4C Studios, September 2016

Funding

37. The Secretary of State for Culture, Media and Sport in the UK Government has a statutory duty to ensure that S4C receives sufficient funding to fulfil its remit as a public service broadcaster (PSB) in Wales.

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

39. In 2011-12, under the previous arrangements, S4C received £101 million from the DCMS. That funding was reduced to around £7 million per year from 2013-14, with the BBC providing £76.3 million. The BBC's element reduced further to £74.5 million in 2016-17. The new BBC Charter set out that this funding from the licence fee will remain constant in cash terms until 2020-21 (a real terms cut of approximately 10% by 2020-21). Overall, the changes have meant that S4C has faced budget reductions of at least 36 per cent in real terms since 2010. The DCMS's current contribution remains at 2015-16 levels (£6.8 million) in 2016-17, pending the conclusions of the UK Government's review into S4C, planned for 2017. S4C has welcomed the "element of stability" provided by the licence fee settlement. However, they have noted the pressure that comes with this being a cash-flat settlement: meaning a real-terms reduction in funding over this period.

40. In its report into the BBC Charter Review,²⁴ the Communities, Equality and Local Government Committee of the previous Assembly called the 36 per cent real terms cut to S4C's budget since 2010 "severe and disproportionate".

41. Ian Jones (S4C's CEO) highlighted to the Committee a letter from the former Chancellor and Secretary of State to the BBC in July 2015 which stated that:

²⁴ **Communities, Equality and Local Government Committee (CELG) - Inquiry into the BBC Charter Review** (<http://senedd.assembly.wales/mgIssueHistoryHome.aspx?Id=13600>)

“The BBC’s grant to S4C may be reduced by an equivalent percentage reduction in funding to the percentage reduction made to BBC funding over the period.”

and

“It will be up to the Government to decide how to make up the shortfall.”

42. He noted that, in the impending UK Government review of S4C planned for 2017, it is important that the “holistic budget” is looked at, and to “safeguard the money that currently comes from DCMS”.

43. According to S4C,²⁵ the impact of these cuts since 2010 has been significant. The channel shut down its HD service in 2012 – though this was re-launched in June 2016; its investment in children’s programmes has reduced; there has been a lack of original drama for several months a year; and it has become more difficult for the channel to compete for popular sport rights. Ian Jones stated in 2013²⁶ that any further cuts to S4C’s budget “would be detrimental to the economy and would cut the core service to the quick”.

44. Mr Jones told the Committee that “despite having taken around £65 million out from budget cuts, we’ve maintained the hours that we broadcast on screen”.

45. However, he noted that:

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

46. He also noted that, over a period of six years, the number of S4C staff has reduced from 220 to less than 130. Following the move to Carmarthen the S4C intends to jointly locate its technical operations with the BBC. A number of S4C staff will move to work for the BBC, meaning S4C will have about 80 staff members.

47. He told the Committee that S4C has reduced its internal overheads to “around 4 percent”, compared to “an average of about 11 or 12 per cent in the public sector”. Furthermore, it has reduced its commissioning costs by 35 per cent. S4C’s cost per hour is now £10,800: the lowest it has ever been.

48. On a positive note, he pointed out that, despite budgetary constraints, S4C is exceeded its subtitling requirements:

“Ofcom set us a limit of 53 per cent of our output that has to be subtitled; we made the decision some years ago to increase that, and we’re currently at around 79 per cent. I would like to maintain that at that level, but, again, it’s

²⁵ [Submission to CELG Inquiry into the BBC Charter Review, 30 October 2015](http://www.senedd.assembly.wales/documents/s45570/CELG%204-27-15%20Paper%201%20Supplementary%20Pack.pdf)

(<http://www.senedd.assembly.wales/documents/s45570/CELG%204-27-15%20Paper%201%20Supplementary%20Pack.pdf>)

²⁶ [Ian Jones - Article for IWA, 6 August 2013](http://www.iwa.wales/click/2013/08/more-cuts-will-shake-s4cs-foundations/) (<http://www.iwa.wales/click/2013/08/more-cuts-will-shake-s4cs-foundations/>)

something we need to look at over the next few years, as the real-term cuts set in.”

Our View

We agree with the conclusion of the Communities, Equality and Local Government Committee in the previous Assembly that the 36 per cent real terms cut to S4C’s budget since 2010 is both “severe and disproportionate”. We are deeply concerned at the severe impact of repeated cuts to S4C’s budget since 2010. While an “element of stability” will be provided because funding from the licence fee will remain constant until 2020-21, this still represents a further real terms cut of around 10%.

One obvious way in which this funding reduction has manifested itself is in the extremely high level of repeats that are now shown on the channel. We agree with S4C that this is, at 57 per cent, far too high and a matter of considerable concern to us.

The UK Government’s planned review this year will offer an opportunity to look at the full range of issues that is affecting S4C at present, including what constitutes fair funding for the channel. As a Committee, we intend to play as full a part as possible in that review by carrying out a substantial piece of work on S4C, which we will feed into the UK Government’s review. However, there must be no further change to S4C’s funding until the results of the review have been fully considered by all parties.

Recommendation 6. We recommend that there should be no further cuts to S4C’s funding until the planned review has been completed and there has been an opportunity for reflection on its conclusions by all those with a stake in the future of S4C.

Raising Revenue

49. S4C told the Committee that around 2% of its income is generated by its own commercial activities. Mr Ian Jones explained to the Committee some of the difficulties involved in S4C’s efforts to increase this figure.

50. These difficulties include a reduction of advertising income, from around £10 million annually six or seven years ago, to around £2 million annually. This is a result of S4C and Channel 4 no longer sharing the same broadcasting space in Wales.

51. Mr Jones noted that he would like to increase the proportion of income generated to 3 or 4%, but that it would be “extremely difficult to achieve more than that”.

Governance and accountability

52. Under the relevant legislation, the S4C Authority has a duty to ensure that S4C complies with its public service broadcasting (PSB) obligations. These are to provide a broad range of high-quality and diverse programming as well as information, education and entertainment for the public in Wales. The S4C Authority is accountable in the first instance to the DCMS and Westminster, and in the second instance to the BBC following the new funding arrangements in place since 2013.

53. In terms of the new BBC Charter, Mr Jones told the Committee:

“We welcome the clear references to S4C in the framework agreement and the charter documentation, because they clearly commit to the independence of S4C and they give a clear recognition of funding for the next five years.”



Committee visit to S4C Studios, September 2016

54. Whilst discussing the issue of the devolution of responsibility for S4C to the Welsh Government, Mr Jones stated that he did not mind whether the UK or Welsh Governments funded S4C, but that “accountability goes with the funding”.

55. In its report into the BBC Charter Review,²⁷ the Communities, Equality and Local Government Committee of the previous Assembly recommended 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.”

56. Members raised this issue with Mr Jones, who told the Committee that he would be “very happy” to formalise the relationship between S4C and the Assembly in this manner. Mr Huw Jones repeated this willingness in subsequent correspondence.²⁸

57. In terms of its remit, S4C notes that its current statutory remit does not include providing digital services, which to date has been funded from S4C’s commercial revenues. It states that this is a “clear example of how the remit needs updating”. Mr Jones described the current remit as being “archaic”, and something that needed to be looked at in the UK Government’s impending review.

58. Furthermore, the current remit states:

“Providing television programme services of high quality with a view to their being available for reception wholly or mainly by members of the public in Wales.”

59. Mr Jones described this statement as “an anathema”, stating that “we need to broadcast to Welsh speakers, learners wherever they are – not just wholly or mainly in Wales”. He also noted that, in terms of the Welsh Government’s aim for 1 million Welsh speakers, it was “difficult to imagine a large increase in Welsh speakers unless you have strong media output and services”.

²⁷ **Communities, Equality and Local Government Committee (CELG) - Inquiry into the BBC Charter Review**
(<http://senedd.assembly.wales/mglIssueHistoryHome.aspx?lId=13600>)

²⁸ **Letter from S4C to Committee Chair, 24 October 2016**
(<http://senedd.assembly.wales/documents/s56106/Paper%201.pdf>)

Our View

We welcome S4C's readiness to formalise its relationship with the Assembly by submitting its annual reports and audited accounts to the Assembly. Its willingness to appear before Assembly Committees is no less than we would expect but welcome nonetheless.

In order for S4C to be able to lay its annual reports and accounts before the Assembly, the Assembly will first need to agree a resolution that it should do so. We, therefore, intend to bring forward a motion for consideration by the Assembly that S4C, subject to the formal agreement of the S4C Authority, should lay before the Assembly annual reports and audited statements of accounts.

Recommendation 7. We recommend that the National Assembly should agree that the S4C Authority should lay before the Assembly annual reports and audited statements of accounts.

Relationship with the BBC

60. The BBC has a statutory obligation to provide S4C with 10 hours a week of Welsh language programmes free of charge. The value of this supply fell from £25 million in 2008-9 to £19.7 million in 2014-15.²⁹ The current partnership³⁰ between S4C and the BBC is due to expire at the end of the current BBC Charter in early 2017. Mr Jones told the Committee that, as of October 2016, this agreement was yet to be renegotiated.

61. Mr Jones described to the Committee the process that S4C and the BBC went through to agree their operational relationship after the majority of funding for S4C was transferred from DCMS to the BBC. He noted the tension whereby the BBC saw itself as the guardian of the licence fee, yet S4C was keen to safeguard its independence. He described the operating agreement between the two bodies as "the mechanism that allowed those two things to be delivered". Crucial to this was a line in the operating agreement that states that S4C retains editorial, managerial and operational independence.

62. Mr Jones described the relationship between the two as "a very positive period of four years":

"There's been on the one hand, a good relationship in terms of our relationship with the trust – we've had a trust member on the S4C authority – and then there's been a good partnership at an executive level, which has allowed, for example, the development of the plans to co-located technical aspects in Cardiff and also, for example, the availability of S4C on the iPlayer, which has been a great benefit."

63. Mr Jones anticipated that the relationship between S4C and the BBC will have to change as a result of the arrangements under the new BBC Charter. He expected that:

"The relationship will become more of a contractual one where ... the implication is that S4C will account to the BBC for the fact that the money has been used for the purpose intended."

²⁹ **IWA Media Audit 2015** (http://iwa.wales/wp-content/uploads/2016/01/IWA_MediaAudit_v4.pdf)

³⁰ **BBC Cymru Wales and S4C renew strategic partnership agreement, November 2012** (<http://www.bbc.co.uk/mediacentre/latestnews/2012/s4c-strategic-partnership-renewal-2012>)

64. However, he noted that the impetus for collaborative work between the two organisations remained, stating:

“If we’re two independent broadcasters funded from the licence fee, I feel there’s an onus on us both to look at our joint partnerships, to look at making our resources go further ... and working together, whether that’s creative collaboration on something like Y Gwyll, whether it’s platform collaboration with the iPlayer, or whether it’s anything else.”

Our View

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

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

Economic and cultural impact

65. In its written evidence to the Committee, S4C quotes from a report that states that every pound invested by S4C in the creative industries in Wales is worth £2.09 to the economy. It also notes that 81% of its funding “flows directly into the independent production sector”.

66. In 2018 S4C is moving to Carmarthen. It notes that almost 30 other organisations have expressed a desire to co-locate with S4C in Carmarthen, and that it hopes to “act as a catalyst for the creation of a lively, innovative cluster in west Wales”.

67. Mr Jones explained the rationale for the move to the Committee:

“We commissioned a feasibility study ... and it became clear quite quickly that biggest impact and savings would be achievable if we could relocate S4C’s headquarters outside of Cardiff – and why shouldn’t we? What’s the point of having a headquarters on an industrial estate in north Cardiff when we could make a greater linguistic, economic and cultural impact outside of Cardiff?”

68. He stated that he was “confident that we will be saving money over 20 or 25 years”.

69. Since the Committee took evidence from S4C, some concerns have emerged³¹ around the funding of the new building in Carmarthen that will house S4C’s new headquarters. The Committee notes these concerns and looks forward to their resolution.

³¹ [Development housing S4C headquarters seeks Welsh Government grant, 24 November 2016](http://www.bbc.co.uk/news/uk-wales-38099768)
(<http://www.bbc.co.uk/news/uk-wales-38099768>)

Our View

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

Ofcom regulates this area and its Code of Practice for EPG providers says that they are obliged to give the degree of prominence that Ofcom considers appropriate to listing public service broadcasting (PSB) channels.³² However, the Welsh Affairs Select Committee in a report³³ last year, expressed concern on this matter and called for PSB channels, including S4C, to be given more prominence on EPGs.

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

Recommendation 8. We recommend that the UK Government and Ofcom consider amending Ofcom's Code of Practice for EPG providers to ensure that S4C receives greater prominence in Wales on Electronic Programme Guides and smart TV applications, such as the BBC's i-player.

³² Essentially, BBC, Channel 3, Channel 4, Channel 5 and S4C.

³³ [Welsh Affairs Committee – First report 2016-17 – paragraph 104](#)

(<http://www.publications.parliament.uk/pa/cm201617/cmselect/cmwelaf/14/1402.htm>)

03. ITV Cymru Wales

Licence

70. Historically, Wales was served by a dual Channel 3 licence which also covered the West of England. However, in 2014 the Channel 3 service for Wales was granted its own licence which runs to 2024.

71. There was a significant drop in ITV's output for Wales in 2009, following Ofcom's decision, as part of its second Review of Public Service Broadcasting, to allow ITV a substantial reduction. The cuts were agreed at that time because the regulator perceived a real risk that ITV might choose to give up its status as a public service broadcaster and hand back its Channel 3 licences. However, ITV Cymru Wales's reduction in first-run programming declined more steeply in Wales (from 2008-14) than in other parts of the UK – a cut of 30%.³⁴

72. The Institute of Welsh Affairs' Media Audit 2015³⁵ noted that that ITV Cymru Wales's reduction in non-news programme provision has been in "sharp contrast to the independently-owned ITV service in Scotland which has actually increased its output".

73. At present, the licence requires ITV to provide four hours of news and 90 minutes of non-news programming for Wales every week.

74. When giving evidence to the Committee, Phil Henfrey (Head of News and Programmes at ITV Cymru Wales) stated that the organisation was "more than fulfilling the requirements within that licence for audiences in Wales". He noted that despite the licence being standard definition, ITV Cymru Wales broadcasts in high definition, and also that the station's digital news service (to mobile phones) is outside of its licence requirements.

75. However, he noted that the value of the licence has significantly dropped since the 1970s and 1980s, when an ITV licence would provide a monopoly in television advertising. As a consequence of this declining value, he suggested, Ofcom is able to place fewer public service obligations on the licence-holder. He told the Committee:

"If people want more (public service broadcasting) – and I completely understand why people would want more – then how do you increase the value of that licence to whoever holds it? ... Ofcom looked at that in 2008-9. It didn't find any answers."

Our View

We note ITV Cymru Wales's view that ITV is exceeding its license requirements for audiences in Wales. However, it is with regret that we also note that, while the independently owned ITV service in Scotland has increased its non-news provision in recent years, this has declined on ITV Cymru Wales. We hope that ITV will reflect on that disparity and agree that it needs to do more to increase the provision of Welsh specific output on ITV Cymru Wales.

³⁴ IWA Media Audit 2015 (http://iwa.wales/wp-content/uploads/2016/01/IWA_MediaAudit_v4.pdf)

³⁵ IWA Media Audit 2015 (<http://www.iwa.wales/news/2015/11/iwa-wales-media-audit-2015/>)

Although some way off, when considering a new Channel 3 licence for Wales, we believe consideration should be given to relaxing some of the requirements placed upon the licence holder in return for a greater volume of Welsh-specific output. However, given that the license is not up for renewal until 2024, we believe there is a case for Ofcom to look at these issues ahead of the license mid-point to see if some requirements can be relaxed in return for more Welsh-specific output.

Funding

76. The IWA Media Audit, published in 2015, estimated that ITV Cymru Wales spent approximately £7 million on English language programme making in 2014-15, reduced from £12.9 million in 2008. ITV Plc's 2016 interim report states that, for the six months to 30 June 2016, the company's total external revenue grew 11% to £1,503 million (2015: £1,356 million). In terms of its future outlook, the company states "we have a strong balance sheet and continue to see clear opportunities to invest behind the strategy in the UK and internationally".

77. Mr Henfrey confirmed that ITV Cymru Wales's current level of spend of £7 million per annum is "broadly where we're at", whilst stating that for commercial reasons ITV would not disclose the actual amount.

78. While Mr Henfrey stated that this funding had been "broadly flat" since 2008, he contended that he "wouldn't get too hung up on the numbers", and that because of technological improvements and internal efficiencies – such as ITV Cymru Wales's move from Culverhouse Cross to Cardiff Bay – the organisation is able to do increasingly more with this static level of funding. He also stated that "the ITV Cymru Wales schedule as a whole is one of the more popular parts of ITV". He concluded that:

"All the evidence in terms of viewing figures, in terms of audience appreciation, has shown that we are getting that balance (of spend and creative and commercial output) right. So, it's not simply about the amount that you're spending."



Committee visit to ITV Studios, September 2016

Network productions

79. ITV's evidence to the Committee noted that a key production for autumn 2016 was a major film commemorating the 50th anniversary of the Aberfan disaster, commissioned by the ITV network for broadcast throughout the UK. 2014 saw ITV Cymru Wales gain its first network commission for

about 25 years, with the single documentary, *My Grandfather Dylan*, commissioned from independent company Green Bay Media, marking the centenary of Dylan Thomas' birth.

80. Mr Henfrey told the Committee that, through ITV's acquisition of Boom Cymru and the Twofour group of production companies, the launch of a new network production label Shiver Cymru, ITV Cymru Wales becoming a "centre of excellence in Wales", and the "security and stability that the licence has given us", ITV Cymru Wales was well-placed to be a "real launch pad" for network productions.

81. Members asked ITV Cymru Wales what processes and internal structures they had in place to encourage network commissions from Wales. Mr Henfrey told the Committee: "There are no barriers per se. It is a meritocracy. We don't operate quotas". He also said that ITV had "put in place things that can increase engagement with the network commissioners because, ultimately, they are the ones who will make all the decisions". He concluded that he "would like to see a greater spend in Wales", and that the "conditions are right" for that to happen.

Our View

We welcome the recent, albeit limited, success of ITV Cymru Wales in securing network commissions. However, the sort of laissez faire approach described by ITV Cymru Wales has not led to Welsh voices being adequately represented on the ITV network. The channel's approach to commissioning has failed to capture the richness of Welsh communities and there are considerable aspects of Welsh life that are not portrayed either on ITV network or on ITV Cymru Wales.

Recommendation 9. We recommend that ITV Studios follows the BBC and adopts a more pro-active approach to developing programmes for broadcast on the ITV network including setting specific goals for developing network output from Wales, which reflects life in Wales.

Earlier in this report we welcomed S4C's readiness to formalise its relationship with the Assembly by laying its annual reports and audited accounts and by appearing before Assembly Committees. At this stage, we do not propose formalising the Assembly's relationship with other public service broadcasters in the same way. However, given their public service function and their importance to the cultural and political life of Wales, we believe that they should provide annual information to the Assembly, via the Committee, on their progress in improving the portrayal of Welsh life on their networks. This is particularly important in the case of ITV Cymru Wales but, as a matter of principle should also extend to Channel 4 and Channel 5.

Recommendation 10. We recommend that ITV, Channel 4 and Channel 5 should provide an annual update to the Assembly, through the Committee, setting out information on the portrayal of Wales on their networks.

04. Ofcom

New role regulating the BBC

82. Under the new BBC Charter Ofcom will take on a new and unprecedented role: as external regulator of the BBC. This new role includes ensuring that audiences in the individual nations are “well served”. Ofcom must “secure the provision of more distinctive output and services” on the BBC, and will need to consider the needs of the nations when setting operating licences for BBC services.

83. As well as policing content, Ofcom will be responsible for ensuring that a “suitable proportion” of network programmes are made outside of London, including in each of the UK’s nations.

84. Mark Sweeney (Director of Government and Regulatory Affairs at Ofcom) described this new role as follows:

“Broadly speaking, we have three sets of responsibilities in relation to the BBC in the new dispensation, once it is put in place from April next year. The first is to ensure editorial standards are upheld across the BBC—to act as a backstop regulator for complaints in that context. The second is a role in relation to the BBC’s performance: to hold it to account for delivering the public purposes, which includes, but is not limited to, setting the operating licence. And, finally, we have a role in relation to the competitive impact of the BBC, and, effectively, ensuring that, while the BBC is able to deliver its public purposes and its mission, at the same time, the impact that it has on the market as it does so is proportionate to the public gain.”

85. He noted that Ofcom will be publicly consulting on how it should carry out its new responsibilities, and will be reporting on how it has undertaken them in due course.

Our View

Ofcom’s new regulatory duties under the BBC Charter are significant and challenging. We are not convinced that Ofcom is yet ready for this role or clear about how it should discharge its new duties. We make no criticism of Ofcom for that. However, it has now been given the role of regulating the BBC and it needs to clarify its approach as a matter of some urgency.

We look forward to taking further evidence from Ofcom once it is in a better position to explain how it intends to discharge its new regulatory duties under the BBC Charter and what the implication of this for the BBC in Wales will be. In particular, how it intends to ensure that its obligation to ensure that Welsh audiences are ‘well served’ will be built into its future approach – both at a UK and a Welsh level.

We look forward to hearing more about what role the Ofcom Committee for Wales, the member of the Content Board representing Wales and broader stakeholders will have in assisting Ofcom to make its assessment of the BBC’s performance against its public purposes.

Finally, we look forward to seeing a draft of the service licence for Wales to ensure it contains sufficient detail about what will be required from BBC Cymru Wales.

ITV Cymru Wales's licence

86. In February 2014, Ofcom announced that it had renewed the broadcasting licences for Channel 3 from 1 January 2015 for a period of 10 years, and that this would mean a “separate Channel 3 licence for Wales”. It also said that as a condition of the licence renewal, “volume of output on ITV Wales will remain unchanged”. Ofcom said:

“The Ofcom Advisory Committee for Wales was a leading advocate for the standalone licence citing the following reasons:

- it recognises the reality of a modern Wales with its own devolved democratic institutions
 - it will help to bring greater accountability to the people of Wales for the service provided by ITV
 - it recognises the heightened role of public service content on public service broadcasting channels in Wales and the need to sustain plurality of programme provision in Wales.”
-

87. At present, the licence requires ITV to provide four hours of news and 90 minutes of non-news programming for Wales every week. There was a significant drop in ITV's output for Wales in 2009, following Ofcom's second Review of Public Service Broadcasting.

88. Following questions from Members as to the extent to which the ITV Cymru Wales licence deal was appropriate, Rhodri Williams (Ofcom Director in Wales) stated:

“Having studied it in great detail over a period of time, and having consulted on it, we came to the conclusion that the package of requirements that is in place at present is reasonable and sustainable. Yes, it did mean a reduction in the programmes apart from the news programmes delivered by ITV. But I believe that what we did was ensure that the most important elements in that bundle of programmes were retained, namely current affairs programmes and programmes relating to politics and user issues, and that they were to stay in the peak hours.”

89. Mr Williams went on to point out that the requirements for non-news regionally-specific programming are higher in the devolved nations (90 minutes) than they are in the English regions (30 minutes). He also noted that ITV Cymru Wales has recently secured its first network broadcast in about 25 years, and cited this as evidence of “the greater ambition that we have seen in Wales since the new licence was granted”.

S4C

90. Ofcom does not licence S4C in the way that it licences ITV or Channel 4. Its role is to regulate S4C's content in accordance with the Broadcasting Code³⁶ and to impose quotas in relation to production and accessibility (for example, a minimum target for S4C to subtitle 53% of its target: the actual figure is currently 79%).

³⁶ [The Ofcom Broadcasting Code](https://www.ofcom.org.uk/tv-radio-and-on-demand/broadcast-codes/broadcast-code) (https://www.ofcom.org.uk/tv-radio-and-on-demand/broadcast-codes/broadcast-code)

91. Mr Williams explained to the Committee the work it does in assessing how S4C meets its public purposes, and stated that “I don’t believe anything has arisen that has caused us to become formally engaged with S4C at all”.

Commercial radio

92. In 2015 The Institute of Welsh Affairs' Media Audit³⁷ noted that:

“Following relaxation in regulation, local content on Commercial Radio has significantly reduced over the years (across the UK as well as in Wales) and some radio groups, for example Global, have replaced the local identities of their stations in order to establish recognisable UK wide brands such as Heart, Capital and Smooth.”

93. Members raised concerns with Ofcom about the volume of Welsh-specific content on commercial radio in Wales. Mr Williams responded that commercial services in Wales “operate in a way that is consistent with the licensing obligations placed upon them”. Whilst discussing the possibility for a change in legislation to place further public service obligations on commercial radio providers, Mr Williams noted that “the trend over a period of time in radio has been towards providing greater freedom and responsibility to the companies that provide these services and reducing the role of the regulator”.

Our View

Commercial Radio has a key role in reporting Welsh news and reflecting Welsh society and perspectives, particularly at a local level. It is our intention to hold an Inquiry on the future of radio in Wales, which will look in particular at issues around commercial radio.

Channel 4

94. As one of the public service broadcasters operating in Wales, Channel 4 has obligations to reflect the diversity of the UK, including Wales, in its output. It also has an obligation to commission a fair proportion of its original content across the regions and nations of the UK.

95. Channel 4’s 2015 Annual Report indicates that the proportion of first-run originated programmes on the main channel from Wales, Scotland and Northern Ireland rose by 3 percentage points, to 9% (2.6% Wales for Wales). In spend terms, the proportion of the budget for first-run originated programmes on the main channel rose by 1 percentage point, to 7% of the total (2.0% for Wales).³⁸

96. In 2014 Ofcom confirmed the terms of Channel 4’s new 10 year licence, and tripled its quota for content produced outside of England from 3 per cent of volume and spend to 9 per cent from 2020.³⁹

97. Ofcom considered a number of options at the time, including increasing the quota further. The three broad options proposals put forward were:

³⁷ **IWA Media Audit 2015** (<http://www.iwa.wales/news/2015/11/iwa-wales-media-audit-2015/>)

³⁸ **Channel 4 Annual Report 2015** (<http://annualreport.channel4.com/downloads/Channel-4-annual-report-2015.pdf>)

³⁹ **Renewal of the Channel 4 licence, Ofcom statement, 11 March 2014** (https://www.ofcom.org.uk/__data/assets/pdf_file/0033/83778/channel_4_licence_renewal_statement.pdf)

- increase the quota to 17%, being proportionate to the distribution of population in the Nations and the target adopted by the BBC;
- increase the quota to 12% or 15%, suggested as a mid-point between current delivery and the BBC’s target, reflecting the particular constraints for Channel 4; and
- increase the quota to 9% by 2020, a proposal made by C4C.⁴⁰

98. However, it stated:

“we were mindful of commercial implications for C4C and the effect on delivery of Channel 4’s other licence conditions, and the potential impact on other stakeholders, particularly the independent producers from whom Channel 4 commissions programmes, of a significant increase in the quota.”

99. In its response to Ofcom’s consultation, the Welsh Government stated that Channel 4 should continue to increase its investment in initiatives to assist producers in the Nations. It argued that the quota of 9% should be brought forward to 2016 on the basis that Channel 4’s share of production in the Nations doubled between 2009 and 2012, and “if the same average incremental increase were achieved...we could expect 8.1% (value) and 10.4% (hours)” of productions by 2016. The Welsh Government called for the out of England quota to be set at 9% in 2016, at which point there should be a further review.

Our View

It is pleasing to note the increases in volume and spend of production outside of England from Channel 4, and the upwards trajectory of these figures is certainly to be welcomed. However, these figures are significantly lower than the population shares of Wales and the other UK nations outside of England.

Although the Committee appreciates that a straight comparison with the BBC – which has higher targets – is not appropriate given the different public purposes of the two broadcasters, we feel, along with the Welsh Government, that Channel 4 should be challenged more to increase its volume of production and spend outside of England. This would lead to an increased diversity of production which would benefit viewers, and also help to spread the economic benefits of Channel 4’s spend more equitably across the UK. The vitality of the production sector in Wales is such that it is more than ready to meet the challenge to produce more high-quality programming for Channel 4.

We welcome Channel 4’s voluntary commitment to see the 9% as a base minimum and aspire to exceed this quota where possible. We wish Channel 4 every success in exceeding this minimum requirement and will invite them to discuss their work in Wales, and reflecting Wales on-screen, with the Committee in the near-term future. However, it is disappointing that in setting the new quota Ofcom chose the lowest of the three options that were considered.

⁴⁰ [Ofcom confirms terms for new Channel 4 licence, Ofcom press release, 11 March 2014](https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2014/ofcom-confirms-terms-for-new-channel-4-licence)

(<https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2014/ofcom-confirms-terms-for-new-channel-4-licence>)

Recommendation 11. We call on Ofcom to assess what powers it has to increase Channel 4's out of England quotas ahead of the next licence renewal in 2024 and in doing so revisit the more challenging options for increasing the quota that were considered in 2013-14.