

**Comments on the Independent Review of S4C and
the UK Government response
April 2018**

TAC has prepared the following comments, made in response to each of the report's recommendations.

Recommendation 1

The government should update S4C's public service remit to include digital and online services and remove the current geographical broadcasting restrictions. This will allow S4C to broaden its reach and offer its content on a range of new platforms in the UK and beyond.

- TAC agrees with this recommendation. Given changing viewing habits, allowing S4C greater freedom to operate across all platforms in order to provide content to its audience is crucial.

Recommendation 2

S4C should establish an in-house digital hub to develop and improve S4C's digital footprint and form the basis of a Welsh-language digital cluster.

- TAC welcomes the Government's comment in its response that S4C's planned digital hub "should be developed with careful consideration of the impact on the vibrant Welsh independent production sector which already produces high quality award-winning content." We clearly share that view, and hope that S4C's approach will remain one of making the Welsh production sector its first port of call for any new content.
- The investment in digital development announced by the UK Government in the Creative Industries Sector Deal in March was of great interest to TAC. We have already supported one of the bids for a regional research and development cluster, and will be looking for opportunities for our members to access additional funds. The independent production sector in Wales, together with S4C, is a driving force in strengthening the Welsh economy, and an increasing number of companies is supplying S4C with innovative online content which is growing in popularity.
- However, since there is no increase in the S4C budget to establish an in-house hub, TAC is concerned that this expenditure will be obtained by reducing the overall commissioning budget which S4C spends in the production sector. The subsequent announcement by S4C that £3m is to be spent developing this hub over the next three years bears out this concern, especially if most of the spend will be on internal infrastructure as opposed to content, therefore bypassing the independent sector altogether. TAC's position on 'sufficient funding' for S4C has consistently emphasized that the need to expand platform availability and audience services will require an appropriate increase in the budget.

- To date, younger audiences have been the main target demographic for online and social media content, but this will need to expand to include short form content for an older audience and, eventually, longer form online content for all audiences. S4C needs to set out the parameters for these developments, and expand its supply base of production companies to deliver the content it requires.

Recommendation 3

S4C should establish a language partnership with the Welsh Government and others to help deliver the Welsh Government’s commitment to reach one million Welsh language speakers by 2050.

- TAC agrees with this recommendation, and we welcome the positive response it received from government. We would like to see S4C and Welsh Government jointly investing in a partnership venture in order to realize this ambition, which could provide an alternative income source to support S4C’s new digital hub. It will be essential that the independent production sector is a partner in the venture, which has the skills and experience to create content to fulfil this commitment.

Recommendation 4

S4C’s public funding should be provided entirely through the licence fee from 2022/23 onwards, with all future funding decisions made as part of the BBC licence fee funding settlement.

- TAC regards S4C as an important part of the overall UK public service broadcasting landscape. We have supported the UK government continuing to have oversight of the service, and we look forward to continuing to develop a strong working relationship with DCMS.
- TAC notes that, in his report, the Review Chair agrees with “the majority of contributors who said that actually the most important thing for S4C is funding stability and transparency.” In this context, we are glad that the current level of grant to S4C from DCMS will remain in place until the end of the current Spending Review period.
- However, should it be the case that the entirety of S4C’s budget will come from the TV Licence Fee from 2022/23 onwards, there will be issues which need to be considered. First, the matter of what constitutes ‘sufficient funding’ will arise again. We note that the BBC has not officially accepted the recommendations of the Independent Review to date, and is therefore likely to be resistant to the idea that the current DCMS funding of c £6.7m will need to be made up by increasing S4C’s TV Licence Fee funding.
- Secondly, the question of S4C’s editorial independence will need to be addressed in order to ensure that both public broadcasters – BBC and S4C - continue to meet their core remits separately. TAC would urge the Secretary of State to take these matters into consideration as a priority.

Recommendation 5

The government should consider amending current approval requirements to give S4C greater freedom to invest and generate commercial revenue.

- TAC welcomes the opportunities for S4C to look at additional potential funding streams and commercial opportunities through working with a range of partners. However, since S4C is primarily a public service broadcaster with limited commercial expertise and experience in its

current position, TAC would question how effectively S4C can monetize content which, however high the quality, will in some cases be constrained by language accessibility.

- TAC members have succeeded in leveraging investment from other broadcasters and distributors in the factual and drama genres over a long period. As a result, S4C has been better able to broker deals with a wide range of co-production partners. TAC members will ensure that they continue to work closely with S4C as the broadcaster seeks to extend its commercial portfolio, though this should not be at the expense of the programme budget or commissioning structure.

Recommendation 6

The S4C Authority should be replaced with a new unitary board comprising executive and non-executive directors.

- TAC agrees that a move to a Unitary Board structure and full regulation by Ofcom seems sensible, and look forward to seeing the detailed proposals.
- In order to inform conversations on commissioning strategy and its impact on the production sector, TAC suggests that consideration should be given to having a senior TAC Council member on the proposed board in order to ensure that the sector is represented at the highest level.

Recommendation 7

The government should consider whether S4C's current financial audit arrangements are suitable, including whether it would be appropriate to appoint the Comptroller and Auditor General as S4C's external auditor.

- TAC has no objection to this recommendation.

Areas beyond the scope of the independent review

As well as the above views on the report's recommendations we would like to offer further views on the opportunities for the production sector to work with S4C and other UK broadcasters.

TAC and its representation of the TV production sector in Wales

- TAC works hard to represent the interests of its wide range of members across Wales. As well as numbering the five largest production companies in Wales, over 60% of our membership is made up of small companies. This range is reflected among TAC Council members.
- Huw Jones, Chair of the S4C Authority, stated in a presentation during an RTS Wales event on 19 April 2018 that S4C is pleased to work with up to 50 production companies in the independent sector. This runs contrary to the impression given in the Review that S4C only works with a small number of big companies. TAC concurs that the picture is far more varied in reality, and can confirm that every effort is made to grow as inclusive a membership as possible in order to best represent the sector's needs.

The Public Service Contestable Fund

- TAC was pleased to be invited to discuss the public service contestable fund with DCMS in March, in terms of its potential to unlock talent in the nations to produce both Welsh and English language content. A number of our members already provide content for several UK PSBs, and TAC will explore any opportunities made possible by the fund to enable Wales' production sector to extend its commissioning reach.

