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**S4C Authority Meeting Minute**

9 March, 2017, S4C, Llanishen, Cardiff

**Meeting No. 406**

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<b>Present:</b>	Huw Jones	(Chairman)
	John Davies	(Member of the Authority)
	Hugh Hesketh Evans	(Member of the Authority)
	Guto Harri	(Member of the Authority)
	Siân Lewis	(Member of the Authority)
	Elan Closs Stephens	(Member of the Authority)
<b>S4C Staff:</b>	Ian Jones	(Chief Executive)
	Elin Morris	(Director of Corporate and Commercial Policy)
	Gwyn Williams	(Director of Communications)
	Amanda Rees	(Creative Content Director)
	Phil Williams	(Secretary to the Authority)
	Bethan C. Williams	(Assistant to the Secretary to the Authority)
	Steve Thomas	(Strategy and Policy Adviser)
	Gwenllian Griffiths	(Adviser)

**STANDING ISSUES:****1. Welcome and Declaration of interest**

The Chairman welcomed all present to the meeting and asked for any member with an interest in the business of the meeting to declare their interest.

*See the Register of Interests section of the S4C Authority website for general declarations.*

**2. Minutes of meeting 405 and Matters Arising**

The minutes of meeting number 405 (held on 09.02.17) were presented and the following matters were noted.

Minute 6.3.1 - It was noted that 1.5 members of staff are working on the data project, but also worked on other projects. It was decided to modify the minutes to indicate that "1.5 members of staff **spend part of their time** on the data project".

The Authority approved the minutes with the amendment noted above.

**3. Register of Action Points and Decisions and Matters Arising**

The Action Points and Decisions Register was presented for information.

**It was decided to weed out the historical Action Points.**

#### 4. **Chairman's Report**

The Chairman presented his report and referred specifically to the following matters.

##### **Review**

He noted that he and PW had met the DCMS officials who are responsible for the preparations for the Review, but to date neither the terms of reference nor the name of the reviewer have been published.

It was noted that the timetable had not yet been agreed for the review, but that it was necessary to be prepared in order to respond to the announcement when it comes, and that the announcement could be made soon.

**[Summary:** He referred to the discussions with DCMS officials regarding the DCMS' financial contribution to S4C during 2017-18 and the period of the Review.]

The Chairman noted that the issue of timing and cash flow would need to be addressed, but that we still need to welcome the financial contribution that S4C had requested. This will provide financial stability during the period of the review, enabling the reviewer to consider future financial needs rather than that of the current year.

##### **The Egin**

He referred to the Welsh Government's decision to offer the contribution of a grant of £3m to UWTSd for the development of Canolfan yr Egin and was asked about the significance of the decision to the Relocation Project. It was explained that the confirmation of the grant was very good news for the Egin, but that it did not affect the Relocation scheme due to the guarantee granted to S4C by UWTSd in 2014.

It was noted that there had been an element of public confusion, with some stakeholders querying whether S4C itself had received £3m from the Government, or whether the Swansea Bay City Region scheme had contributed £3m to the Egin I scheme.

It was also noted that the Egin I scheme, which is the home of S4C's headquarters, was not financially dependent on the UWTSd's independent project for the development of Egin II, and that S4C was not part of the Egin II scheme.

The Government's announcement of the grant means that the Egin development continues in line with the UWTSd's timetable for the project. The University was hoping to launch the development within the month, and S4C understands that Kier would start construction by mid-March.

He was asked whether any further certainty regarding the financial arrangements for the project should be sought from UWTSd. IHJ explained that S4C had received verbal confirmation from the Vice-Chancellor that the Egin I scheme is continuing in accordance with the current agreement. It was suggested that it would be desirable if this assurance was received from UWTSd in the form of a letter.

The question of seeking any further financial security, beyond the irreversible commitment from March 2014, was raised. It was explained that the commitment from UWTSd was sufficient and that it would be a matter for them to allocate the remaining money to cover the costs of the project.

**[Summary:** It was decided that IHJ should send a letter to the UWTSD Vice-Chancellor to confirm that the Egin I scheme is not financially dependent on the Egin II scheme.]

IHJ noted that he was disappointed with the standard of journalism on the subject of the Egin, and had conveyed his disappointment to Rhodri Talfan Davies, Director of BBC Wales.

### **Political Issues**

The Chairman and IHJ had presented evidence to the Assembly Committee as they were preparing their response to the S4C review.

**It was decided to provide Members with the minutes of HJ and IHJ's evidence session to the Assembly Committee.**

### **Authority Appointments**

A verbal update was given regarding the process of seeking new members for the Authority. Unfortunately, there had not been much progress, and the DCMS's timetable for advertising the jobs had changed on several occasions. A new timetable has been agreed and the posts are expected to be advertised soon. It was noted that the DCMS public appointments department had been focusing on the appointment process for the new BBC Unitary Board.

It was noted that it was very unlikely that new members would have been appointed before July.

The Chairman referred to ECS' membership of the Authority, pointing out that the BBC Trust will end in April, and that therefore there is a need to confirm with the DCMS their understanding of Elan's membership. She was originally appointed in her capacity as a BBC Trustee in accordance with the provisions of the October 2011 Agreement between S4C, the BBC Trust and the DCMS, and subsequently her membership was extended until October 2018. Although she was appointed in accordance with the 2011 agreement, her appointment letter does not refer to membership of the BBC Trust.

ECS thanked the Chairman for his kind words and noted that she appreciated the need for new members and new ideas within any body, but also understood the need for stability for S4C during the current period. She would be a faithful friend to S4C either as a Member or otherwise.

Members asked about the Authority's quorum constraints during the period before the appointment of new Members and it was explained that the Authority had already updated its Standing Orders and had reduced the quorum from 4 to 3 for the period until new members have been appointed and have started undertaking their duties.

The Chair was concerned about the burden that would fall on Members in attempting to carry out the Authority's work programme and that of its committees with only 5 members.

### **Liverpool Viewers Evening**

It was reported that the evening in Liverpool had been very successful, with 60 audience members attending the evening to discuss S4C's output. There was a clear appreciation of the provision, and a desire to see more Welsh exiles being portrayed

on the service.

A summary of the evening's discussions will be considered by the Content Committee at its meeting at the end of the month.

### **New financial agreement with the BBC**

A verbal update was given regarding the discussions with the BBC on a new arrangement to follow the current Operating Agreement. Positive discussions are continuing with BBC officers in London, with the intention of submitting a draft agreement or Heads of Terms to the Authority and the new Unitary Board, when it is established, for their approval. Consideration was also being given to including all components of the partnership in the new agreement, including the current 10-hour financial commitment, currently worth £19.4m, the iPlayer arrangements and the collaboration on creative projects and value for money projects.

It was explained that the next step would be to agree a detailed timetable for completing the work, including agreeing on the structure of the relationship and the type of reporting and accountability that would be appropriate, compiling the draft agreement, arranging a meeting for the Chairmen of S4C and the BBC to discuss the relationship and proposed agreement and then to submit the arrangement to the S4C Authority and the BBC Unitary Board for consideration and approval.

**[Summary:** A discussion was held regarding financial accountability for the spending of Licence Fee money, and the options on how appropriate accountability could be provided to the BBC.]

A question was asked about the arrangements for the provision of the statutory 10 hours of programming and the programme plan for 2017-18. AR explained that she had held positive discussions with BBC Cymru and that they had produced a draft programme plan.

It was noted that the Authority will need to approve the programme plan. This usually happens at the same time as the assessment of the performance of the provision during the previous year, but due to the schedule of the Trust's work before it is wound up, a request had been made by the Trust to receive the Authority's response to the plan for its meeting in April.

**It was decided to delegate the right to the Content Committee to approve the BBC Programme Plan for 2017-18 by e-mail and to consider any relevant issues in response to the performance of the Programme Plan during 2016-17.**

**New Operational Agreement with the BBC - It was decided that a meeting should be arranged between the Chairman and Sir David Clementi, and that the aim should be to agree a timetable for the approval of the Heads of Terms with the Unitary Board when it is established.**

## 5. **Chief Executive's Report**

The Chief Executive presented his report and referred specifically to the following matters.

### **2017-18 Budget and 5 year Financial Plan**

SW presented the draft Budget for 2017-18 together with the 5 year Financial Plan

for the period 2017-18 to 2021-22.

She explained that the relevant costs of the financial plan included provision for a 3% inflation rate.

It was noted that it will be necessary to ensure that the 5 year Financial Plan and the S4C Vision document complement each other and that it will be possible to explain to the reviewer how the Vision and the requirement to produce a financial plan based on existing resources fit together.

**[Summary:** There was a discussion about the principles and purpose of the Financial Plan, and a further discussion about S4C's ability to produce a financial plan that will deliver the creative vision without additional financial resources.]

It was noted that the needs of the content strategy should be clear within the financial plan. It would be clear that S4C needs more funding to realise its vision.

It was noted that the current draft financial plan includes an increase in the dividend from the Commercial Fund to avoid a shortfall at the end of the period.

The balances to be carried forward at the end of the year, as discussed at the February Authority meeting, were discussed and the need to avoid the incorrect conclusion that there are under spends within the budget was emphasised.

IHJ was asked what are the main pressures and risks in relation to the draft budget. It was explained that a number of elements pose risks, including the age of some pieces of technical equipment, where there is no intention to refurbish them due to the proposed TSA timetable, and the condition of the roof of the Technical Block building. Officers are trying to extend the lifetime of such elements until S4C sells the building to try to avoid spending substantial money on maintenance but that this creates risks in terms of the sustainability of the building.

The effect of inflation also creates pressure on the budget. A number of agreements, such as the Arqiva broadcasting and distribution agreements and research agreements such as BARB include inflation provisions.

The costs of the Relocation and Co-location projects were raised and it was explained that a detailed update would be presented to the next meeting of the Scrutiny Committee.

**The 2017-18 Budget was approved.**

**It was decided that the 5 Year Financial Plan should be modified, keeping the content budget fixed, but also preparing a model that would show the budget balancing whilst reducing the content budget.**

**It was noted that it would be useful to show the impact of inflation on relevant agreements (e.g. Arqiva and BARB agreements) in the 5 year plan.**

### **Operational Objectives 2016-17 - Progress Report**

IHJ presented the report that sets out the state of progress of the 2016-17 Operational Objectives. He explained that the report was following the order of the report submitted last year. He was keen to present a summary of the report to staff so that they can see what progress has been made during the year and to consider how to present a summary of the information in the Annual Report.

There was a discussion about the following elements in particular.

### **1.5 - Purchases**

He was asked whether consideration was given to the purpose of purchases within the schedule, and specifically stated the need to ensure that purchases contribute to the Content Strategy and do not just fill in the hours.

### **1.8 - Co-production Policy**

It was noted that Guidelines had been drawn up, but that the Policy had not yet been approved. AR explained that she was eager to consider co-production in broader ways, including purchases and the co-production of formats.

### **1.6 – Co-operating with the Education Sector**

IHJ was asked whether the objective should refer to the WJEC rather than Local Education Authorities. It was explained that the objective covered discussions with a wide range of education partners, including government, educational institutions and local education authorities. Discussions were ongoing with all partners, but unfortunately the new curriculum had not yet been approved, and so there was a delay in agreeing partnerships and education projects.

AR noted that there was an intention in the Operational Objectives for 2017-18 to consider the field of education in a broader way, and more like Channel 4.

### **1.10 - New digital provision**

[**Summary:** There was a discussion about elements of the new digital provision.]

### **2.4 – Registration before watching S4C**

It was noted that the plan to launch a registration procedure for S4C online was ongoing, with the aim of announcing it following the launch of the BBC's registration procedure for iPlayer.

IHJ was thanked for the report.

### **Operational Objectives 2017-18**

IHJ presented the operational objectives for 2017-18 and specific reference was made to the following matters.

#### **Appointment of Senior Producers**

AR stated that she plans to appoint a number of senior producers to increase the standard of a number of series, and to give a new boost to some old series across a number of genres.

### **6.2 - People Plan**

IHJ noted that he had received advice from the new Personnel Adviser that a People Plan should be introduced for the S4C workforce, and was aiming to introduce a plan by the end of 2017.

**The Operational Objectives for 2017-18 were approved.**

## **Discussions with the BBC regarding the TSA agreement**

**[Summary:** IHJ presented an update regarding discussions with BBC Wales about the proposed TSA agreement.

He explained that there had been progress since the last meeting of the Authority in negotiating with BBC Wales, but there were still a number of areas where no understanding yet exists.]

The Chair thanked IHJ for the update and Members for the discussion and guidance.

## **Resource for dealing with Freedom of Information requests**

**[Summary:** The workload created by issues including freedom of information requests and related matters was raised.]

Recent applications were complex because they involved a great deal of information provided by third parties.

## **Loteri Cymru Project Update**

EM referred to an e-mail that was sent to Members indicating one change that the Charity Commission has suggested in terms of the criteria for the allocation of grants, namely that the organisations that make applications to the lottery and who receive money should be registered charities. The grant allocation guidelines were originally provided to the Authority for information, and therefore the Commission's response was also presented for information.

## **6. 2017 Review**

IHJ and ST presented an update regarding the S4C Vision document originally submitted to the Authority at its February meeting. It was noted that the timetable for publishing the document appears tight, and that the intention was to launch the document before the end of March.

It was explained that the intention was to publish before the end of the month in order to avoid the Westminster and Cardiff Bay recess periods.

Members asked why the document needs to be launched before the Terms of Reference for the review are published or the name of the reviewer announced. It was explained that the document needs to be launched shortly to give S4C an opportunity to present its vision and to give stakeholders the opportunity to discuss it widely. Ideally the launch would take place after the terms of reference were published, but it was necessary to move forward and approve the document at this meeting.

**[Summary:** Members thanked the officers for the revised version of the document. There was a discussion about its contents and a number of comments were noted to be considered whilst continuing to develop the document.]

It was noted that it was difficult for the Authority to consider whether the document answered the questions posed by the Review without the terms of reference of the Review. The risk of publishing the document before the terms of reference and the name of the reviewer were published was discussed, and it was recognised that there was an element of risk to doing this. However, it was explained that there was also a risk in losing the opportunity to present S4C's vision in good time to inform the debate about S4C's service.

It was therefore noted that the aim should be to publish the document as soon as possible, whilst accepting that there is an element of risk.

AR explained that she will be presenting the new Content and Digital Strategy to the production sector in a series of events on 20-22 March and then a concise version of the strategy will be published on the S4C website. The importance of ensuring that the Vision and the Strategy are compatible with each other was noted.

It was suggested that S4C's tariffs could be compared with other broadcasters to provide a context for recent value for money work and it was noted that S4C's significant work in efficiency and value for money should be pointed out to demonstrate that this work has already been achieved, and that there is no room left for major savings within the current provision.

Members agreed that the current total income was not sufficient for achieving the S4C Vision, and that the case should be presented for additional money to achieve the Vision, whilst explaining that no increase would also mean that it would be necessary for S4C to make difficult decisions in the future as costs and inflation increase.

There was a discussion about the amount of additional investment that should be sought in the document. The Authority was of the opinion that the figures should not be too detailed, offering a wide range of options that refer to matters such as individual series or individual digital platforms. Instead the case for additional investment should be presented in order to enable S4C to deliver the new Content Strategy.

**[Summary:** It was noted that S4C should ensure that the narrative in the Vision document and the 5 year Financial Plan should match with respect to the application for additional funding.]

The Chairman thanked Members for the discussion and the strategic guidance regarding the contents of the S4C Vision document. It was noted that the Members' comments would need to be incorporated in the draft document, ensuring an accurate and natural translation, and that a revised version of the English document should be circulated for Members.

**S4C's Vision document was approved subject to the matters identified.**

#### **QUARTERLY ISSUES:**

#### **7. Communications Report Quarter 3, 2016-17**

GW presented the Communications Report for Quarter 3 2016-17 and referred specifically to the following matters.

Significant coverage had been given in Wales and beyond to the performances of Cantata Memoria in Cardiff and New York, with an appreciation of S4C's support for the project.

Although the Cyw Christmas Show continues to be popular with the audience, the intention is to consider alternatives for next year, taking into account our new partnerships, the format of the show and the financial requirements and the show's income.



8. **Report from the Commercial Board meeting held on 8 February**

A written summary of the Commercial Board meeting held on the 8th February was presented. It was noted that a verbal summary had been submitted to the Authority's meeting in February.

9. **Discussion of programmes from the past month**

It was decided to defer the discussion on last month's programmes until April.

10. **Viewers' Hotline Report and Complaints and Compliance Report.**

The viewers' Hotline report was presented. It was noted that no complaints had been received by the Communications Department that needed to be brought to the attention of the Authority.

11. **Authority Work Programme 2017-18**

The updated Authority Work Programme 2017-18 was presented for information.

12. **Any other business**

**July Board Meeting**

It was noted that no accommodation was available for Members in Cardiff for the Authority's meeting in July. **It was decided to hold the July meeting either at the Caernarfon office, or another location. It was suggested that the Commercial Board meeting could also be held at the Caernarfon office.**

No other matters were discussed.

**Date of next meeting:**

Thursday, 6 April, 2017