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**S4C Authority Meeting Minute**

8 June, 2017, S4C, Llanishen, Cardiff

**Meeting No. 408**

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<b>Present:</b>	Huw Jones John Davies Hugh Hesketh Evans Siân Lewis Elan Closs Stephens	(Chairman) (Member of the Authority) (Member of the Authority) (Member of the Authority) (Member of the Authority)
<b>S4C Staff:</b>	Ian Jones Gwyn Williams Phil Williams Bethan C. Williams  Sharon Winogorski	(Chief Executive) (Director of Communications) (Secretary to the Authority) (Assistant to the Secretary to the Authority)  (Chief Finance Officer) –item 7
<b>Apologies:</b>	Guto Harri Elin Morris  Amanda Rees	(Member of the Authority) (Corporate and Commercial Policy Director)  (Creative Content Director)

**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 407 held on 11 May, 2017**

The minutes of meeting number 407 (held on 11.05.17) were presented.

The following matters were noted.

The style of recording the discussions about programmes was raised and it was noted that the discussion was an important means of recording the Authority's views on the performance of the service. Over the period of a year, this creates a comprehensive picture of the Authority's opinion that can be used as the starting point for the narrative in the Annual Report.

**It was decided that providing a full record of the discussions on the service should be continued.**

**Item 6.1.10** - it was noted that the minutes should refer to the "Tudur Owen programme" rather than the "Tudur Owen programme from Lampeter".

**Item 8.1.3** - It was noted that there was a need to explain that the "drop in viewing of" the iPlayer was as a result of changes to the BBC's method of

determining viewing sessions.

**Item 12** - the dates of the two meetings of the Audit, Risk Management, Personnel and Remuneration Committees held on the 11th and 25th of May should be noted.

**The minutes of the May meeting were approved incorporating the amendments raised above.**

### 3. **Matters arising from the Minutes**

#### **Item 2.3.2** - Membership of the Authority

The Chairman referred to the proposed process for appointing new members to the Authority and noted that he and PW constantly emphasise to DCMS the importance of starting the process of seeking new members. The wider context of the dates of members' terms in 2018 was also important, and if the process for finding new members was not started soon there was a risk that the Authority could lose more of its members and an important part of the organisation's corporate memory.

**PW will meet with DCMS officers tomorrow and the Chairman intends to contact Claire Pillman in order to emphasise the importance of the process for S4C.**

#### **Ofcom**

**[Summary:** The recent comments about S4C's relationship with Ofcom were raised and it was noted that S4C's services are regulated by Ofcom, with a requirement to comply with the Ofcom Broadcasting Code, that complaints about S4C's programmes can be made to Ofcom and that Ofcom has powers over S4C including the ability to fine S4C].

#### **The Chairman's Meeting with the BBC Chairman**

The meeting between the Chairs has had to be reorganised. It is hoped that the meeting can be held on 17 July.

The discussions with the BBC regarding an agreement and new financial accountability arrangements are continuing, with a meeting tomorrow to discuss the main terms of the new arrangement.

#### **The proposed agreements for the TSA and the Egin**

It was noted that discussions are continuing between S4C and BBC officers regarding the proposed TSA agreement.

**[Summary:** It is hoped that a recommendation can be submitted to the Authority soon, with the opportunity for the Scrutiny Committee to consider it before that.]

With respect to the Relocation scheme, it was noted that discussions were continuing regarding the lease for S4C's space within the Egin and the contract for the service charge.

#### **Political Broadcasts**

The Chairman queried whether there had been any problems with political broadcasts during the elections this year, and IHJ confirmed that no problems had arisen.

## **A Discussion on the Activities of the Commercial Fund**

The intention to hold a discussion on the activities of the Commercial Fund at the July Authority meeting was raised and it was noted that the Commercial Board is holding its Away day on the 12 July.

**It was decided that the relevant headings should be presented at the July meeting, with the opportunity for a comprehensive discussion in September.**

### **Item 15.1.3 - BBC Cymru FOI Request Appeal**

It was noted that the Complaints Committee were still awaiting the independent advice from a firm of solicitors in relation to the internal review of the FOI request. It was also noted that the delay in providing the advice to the Committee meant that the response to the enquirer was late.

**It was decided that PW would remind the consultant about the importance of providing the advice promptly, and then would arrange a meeting of the Committee to consider the matter.**

## **4. Register of Action Points and Decisions and Matters Arising**

The Register of Action Points and Decisions was presented for information, and the following issues were noted.

### **Work Programme for PWC, the Internal Auditors**

It was noted that officers had not yet received the PWC work programme and timetable for 2017-18. The Chairman noted that he was keen for PWC to provide a work programme for the Audit Committee promptly in order to give the Committee an appropriate opportunity to consider it, and for it to be approved by the Authority in good time to carry out the work. It is hoped that the Audit Committee will be able to consider the plan at its next meeting in order to recommend it to the Authority in July.

## **5. Chairman's Report**

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

### **Appointment of the new Chief Executive**

The Chairman noted that he had received positive feedback regarding the new appointment. He had met with OE to start the preparation work for October, and IHJ will meet him shortly to impart information to him.

### **Welsh Assembly Culture, Welsh Language and Communications Committee**

**[Summary:** The Chairman and Chief Executive had attended a session with the committee and had the opportunity to discuss a number of topics including the timetable for the review, S4C's opinion of the adequate funding needs in the future, the relationship with Ofcom and the relationship, including rights provisions, with independent producers.]

Members noted that the current framework, and Terms of Trade, allow producers to

exploit the rights in their programmes, and that the principles of the Terms of Trade introduced in the Communications Act 2003 should be supported.

**[Summary:** It was noted that at times certain rights issues limit S4C's ability to provide repeats and certain types of programmes at particular times of the day.]

The Chairman referred to the importance of ensuring a suitable rights framework that respected the needs of S4C and the independent sector, and alluded to the exception within the framework of the Terms of Trade for children's programmes. It was noted that it was this exception that had allowed the provision of the Cyw service.

ECS noted that the National Library and the BBC had received a grant from the Heritage Lottery Fund for the archiving of the BBC's material, and asked whether the scheme could be used in order to share S4C's archive material with educational institutions.

It was explained that S4C's published vision "S4C: Pushing the Boundaries" refers to the importance of ensuring that S4C's archive content is available to educational partners.

**[Summary:** There was a discussion about the BBC Wales and National Library archive project.] S4C was preparing to archive its own historical material in a specific format in order to merge it with BBC archive systems at Central Square.]

## 6. **Annual Report 2016-17**

Two documents were presented to the Authority, 'How did S4C perform in 2016-17?' (the narrative of the Service performance assessment) and a document containing the remainder of the Annual Report.

It was explained that the report was based on the discussions of the Authority and the Content Committee during the year and on the quantitative and qualitative performance data that support the narrative.

The performance narrative was discussed, and it was noted that the reach and use of the service on television in Wales was encouraging, with a more fluctuating pattern outside of Wales, but with a long-term trend that is still rising. Viewing according to the "3 minute reach" measure was down outside Wales, but viewing on the basis of the "15 minute reach" measure had increased - which suggests that the core audience outside Wales watched more S4C content than in the previous year, but with fewer light viewers watching.

There were also new and interesting patterns to be seen in the use of online content, with an increase in S4C's Arlein service, and a reduction in the iPlayer figures. It was noted that the method of calculating the iPlayer viewing sessions had changed during the year and therefore the reduction did not necessarily mean that year-on-year performance has decreased. The viewing of content on Facebook Live, Twitter and YouTube has been striking, with over 18m viewing sessions during the year.

The need to note that we have to cut the coat according to the cloth was stressed, and that this leads to difficult decisions and priorities that can be seen within the provision. Such decisions included the percentage of repeats over the summer period and the lack of original drama throughout the year.

The need to emphasise the importance of the soap operas to the schedule was noted. The longevity of Pobol y Cwm and Rownd a Rownd was impressive and they still attract an audience that in turn transfers to the rest of the peak hours programmes.

There was a discussion about the financial figures presented on the 'quick facts' page in relation to value for money, such as the Cost per Viewer Hour, the cost of providing the Service to the television audience per week and the economic impact of S4C. It was noted that the figures were based on data from the Financial Statement and that they have been shown in the Annual Report for a number of years. More detailed explanations of the figures were included in the body of the report.

There was a discussion about the economic impact figures for S4C, and how the impact is explained. It was noted that the assessment was derived from work carried out by the consultancy company Arad and that it used recognised metrics for assessing the economic value of public spending. It also considered S4C's impact on fiscal revenue, direct and indirect tax payments from S4C, the production companies and those who contract with S4C and the companies. This included all types of tax revenues including PAYE, NI, VAT, corporate tax and building tax.

It was noted that the Authority was keen to show that the service provided significant 'value for money'.

The intention is to include a table in order to compare the costs of S4C content with the costs and tariffs of other broadcasters. One member asked if it was fair to compare S4C's costs with the costs of broadcasters such as BBC1 and ITV1 because the income of broadcasters was so different. It was noted that the audience had high expectations of all public broadcasting services, and that they expect the same standard and variety of content from S4C and therefore it is a fair and revealing comparison.

It was suggested that quotes should be included from the audience in order to emphasise the impact of S4C's service. It was noted that extracts from Gwifren's reports and the viewer evening discussions could be selected.

S4C's collaboration with schools and colleges should also be noted, with the emphasis on engaging with the audience.

The audience's response to S4C's diversity provision was referred to stating that the audience (including Welsh speakers, non-Welsh speakers and those that choose not to watch) believed that S4C's bid to portray diversity scored significantly higher than the other public broadcasters in Wales.

It is proposed to include short factual abstracts about a number of activities taking place during the year, such as the relocation to the Egin, publishing the "S4C: Pushing the Boundaries" vision, the partnership with the BBC and S4C's commercial activities.

**The Annual Report and the assessment of the service's performance were approved, delegating the right to the Chairman to approve further changes as required.** It was noted that the draft document would need to be discussed with the DCMS and the External Auditors, and that they were likely to submit comments.

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

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

SW introduced a revised Five-Year Financial Plan, and explained that the plan had been updated following the Authority's guidance in March.

### **Re-submission of the Five-year Financial Plan**

She referred to the Five-Year Financial Plan submitted to the Authority in March, and noted that the Authority had approved the Budget for 2017/18 and that they had asked officers to adjust the Five-year Financial Plan to consider further the implications of a range of assumptions to the budget.

**[Summary:** Reference was made to planning work related to the Five-year Financial Plan.]

It was noted that it would be useful to show the impact of inflation on relevant agreements (e.g. the Arqiva and BARB contracts) in the five-year plan. SW presented a spreadsheet containing scenarios based on the Authority's guidance. Information was also provided in the spreadsheet showing the potential impact of inflation on the relevant agreements.

She pointed out that there was no provision within the content budget for dealing with the effect of inflation over the period, so in real terms the value of the content budget would fall.

The scenarios did not include any specific financial provision for achieving the vision of the Content and Digital Strategy or Pushing the Boundaries, and that the reviewer and the DCMS will need to understand that the proposed financial plan is based on S4C's current public income, rather than on the financial resources needed to realise S4C's vision.

**[Summary:** There was a discussion about how to present the details of the financial plan and the link with the creative vision publically.]

It will also be important to note that the Authority is of the opinion that the content budget cannot be cut further during the period, especially after presenting an ambitious new vision. There was a discussion about the need to implement the new vision and it was noted that there would be a need to try to realise as much of the vision as possible whatever the long-term financial settlement of S4C. If there were no additional resources available this would result in a series of new decisions and priorities for consideration in due course.

**[Summary:** Some technical issues relating to S4C's financial projections were noted.]

There was a discussion on the Commercial Strategy, the performance of the commercial fund and the attitude of the Authority and the Commercial Board to the level of commercial risk that is suitable for the fund's investments.

An element of concern was expressed over the proposal to transfer more than net profit from the commercial fund, stating that this would reduce the fund's capital over time.

Members asked about the Commercial Board's opinion regarding their profit forecasts and their view on the transfer of more than net profits to the Public Fund. It was explained that the Commercial Board had approved the financial plan that included the transfers in the five-year plan, but that the level of income would be based on the performance of the equity investments, including the timing of any future sales. The Commercial Board therefore had approved the transfer of amounts greater than the group's net income, and therefore the use of capital funds to finance the payments.

**[Summary:** There was a discussion on the performance of the recent equity investments and it was noted that many of the equity investments were performing more slowly than expected and therefore the Commercial Board had moved the plan's assumptions on a year to allow the opportunity for the investments to make a profit.]

The performance of the Sarasin fund and the performance of the stock market were discussed, and it was noted that the fund's performance has been very encouraging recently. However, risks such as Brexit and the overall performance of the stock market were factors that could affect the performance and the income from the fund in the long term, which in turn would affect the ability of the Commercial group to fund significant transfers to the public fund.

**[Summary:** The Authority approved the Five-year Financial Plan.]

#### **QUARTERLY ISSUES:**

8. It was noted that there were no quarterly matters to be submitted this month. It was explained that the original intention in the Work Programme was to hold an away day meeting in June, but that this meeting had been cancelled, and a normal business meeting had been held in its place. As a result, there were no quarterly reports to submit.

9. **Reports from the Audit, Risk Management, Personnel and Remuneration Committee meetings held on the 11 and 25 May**

HHE presented a summary of the work of the committee meetings held on the 11 and 25 May and it was noted that there would be an opportunity to comment on the draft minutes at the next meeting of the Committee.

He explained that the main work of the Committee was to consider the reports of the internal auditors, PWC. He was pleased to report that significant progress had been made in fulfilling the recommendations of the auditors and that he will state this in reporting to the DCMS about the findings of the internal auditors.

Reference was made to the recommendation of the internal auditors that S4C should consider defining its 'Risk Appetite' and there was a discussion about the relevance and appropriateness of such a statement to S4C's activities.

**[Summary:** There was a discussion on the relevance of a Risk Appetite Statement for S4C's business. It was noted that S4C's risk appetite would be different in each individual area.]

It was suggested that the Strategic Risk Register could be modified to include the elements of Risk Appetite thus creating a link between the risk appetite statement and the methods of identifying and managing the relevant risks.

**It was decided that the Committee should consider the appropriateness of formulating a draft Risk Appetite Statement and then submit a recommendation to the Authority.**

HHE noted that the Committee had considered the front section of the Financial Statement and recommended that the Authority should approve the document.

**The Authority approved the document.**

10. **Discussion on the past month's Programmes**

**[Summary:** Members discussed the programmes broadcast during the past month, and specifically referred to the response to the recent terrorist events, the coverage of the recent elections, the Urdd Eisteddfod, entertainment, drama, rural programmes, factual and news programmes.]

11. **Viewers' Hotline Report**

The viewers' Hotline report was presented for information.

It was noted that the number of comments received by the Hotline, by telephone and on social media, had fallen somewhat year on year. Members asked whether this implied that the element of engagement with the audience had reduced recently. GW noted that he would discuss the question with the Hotline team.

12. **Complaints and Compliance Report**

It was noted that no complaints had been received by the Communications Department that needed to be brought to the attention of the Authority.

Reference was made to the request for an internal review of the Freedom of Information request regarding the Authority's minutes and it was noted that officers were still awaiting the independent advice for the Committee. Officers will stress the importance of receiving the advice promptly in order to enable the Committee to consider the request.

13. **Authority Work Programme for 2017-18**

The updated Work Programme covering the work of the Authority in 2017-18 was presented for information.

14. **Any other business**

**Informal meetings of the Authority with staff**

**[Summary:** There was a discussion on alternative options for meetings and informal discussions with S4C staff instead of the current meetings.]

15. **It was agreed that the informal meeting with staff in July should be deferred and that further consideration should be given to appropriate means of offering opportunities for staff to discuss with the Authority.**

No other matters were discussed.

**Date of next meeting:**

Thursday, 13 July, 2017