

Welsh Parliament

**Culture, Communications, Welsh Language, Sport,  
and International Relations Committee**

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# State of play: Public Service Broadcasting in Wales

March 2024



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and International Relations Committee**

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# **State of play:**

# Public Service Broadcasting in Wales

March 2024



# About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:  
[www.senedd.wales/SeneddCulture](http://www.senedd.wales/SeneddCulture)

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Current Committee membership:



**Committee Chair:  
Delyth Jewell MS**  
Plaid Cymru



**Hefin David MS**  
Welsh Labour



**Alun Davies MS**  
Welsh Labour



**Tom Giffard MS**  
Welsh Conservatives



**Llyr Gruffydd MS**  
Plaid Cymru



**Carolyn Thomas MS**  
Welsh Labour

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The following Members attended as substitutes during this inquiry:



**Peter Fox MS**  
Welsh Conservatives



**Mike Hedges MS**  
Welsh Labour



**Huw Irranca-Davies MS**  
Welsh Labour

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## Chair's foreword

I am pleased to present our report on public service broadcasting in Wales.

The broadcasting sector is undergoing a period of momentous change, led by, amongst other things, technological advancements and changes in how people access and consume media. Public service broadcasting in Wales is not immune from these changes.

Although our work was intended to test the temperature of the sector in Wales, one question kept recurring as we were considering this work. That is, how effectively are Welsh interests being represented by the current system? Given the recommendations we have outlined in this report, we believe that there is a simple answer to this question: it is our view that Welsh interests are not being sufficiently considered in discussions related to public service broadcasting.

For the purposes of the devolution settlement, broadcasting is a matter reserved to the UK Government. Broadcasting does however, play an important role in portraying (and perhaps shaping) Welsh identity, as well as in our democracy, by ensuring that systems of government are held to account.

The people of Wales regularly use and enjoy the content provided through public service broadcasting. Whilst more public service broadcasting content is viewed than content on other platforms, changing habits mean that viewers are also making increased use of other content such as subscription video on-demand services. Against this backdrop, it is important in an age of technological change, that the prominence of our public service broadcasters is maintained so that viewers can continue to access these services easily.

As the largest public service producer of English-language content in Wales, the BBC must also continue to deliver change. We believe that the BBC should provide parity for Wales with Scotland, by growing spend on English-language television content in Wales, until it reaches the same level of expenditure as that in Scotland.

We also considered a number of issues related to S4C, which is the only public service broadcaster that broadcasts solely in Welsh. For far too long, the future funding of S4C has been uncertain. Incredibly, the funding arrangements for the broadcaster have changed three times in the past fifteen years. We heard that S4C, like the BBC, needs certainty in its funding allocations to support planning for the future of television content. Aside from reversing recent funding reductions,



we believe that a funding formula is required to provide assurance to the broadcaster.

Furthermore, there are changes which Ofcom can make which would improve public service broadcasting in Wales. As the regulator, Ofcom is in a unique position to drive change for the benefit of the viewing public. Ofcom must be ambitious with this work. It should seek to enhance how Wales is represented in programming, as well as how much network content is made by ITV in Wales. What is more, it should look to improve network news coverage of Wales and devolved matters, like health and education.

Our final recommendations relate to the need to improve the governance of public service broadcasting in Wales. While broadcasting is not devolved, we believe that the Senedd and the Welsh Government should have a greater say in how appointments representing Welsh interests are made, given the importance of broadcasting to Wales and its democracy. We believe that this would add another important layer of accountability.

We make these recommendations because we want to ensure that public service broadcasting takes account of the rapidly changing technological, social and political contexts facing Wales, and to ensure that our broadcasting services are fit for the digital age.



**Delyth Jewell MS**  
Committee Chair



## Recommendations

- Recommendation 1.** The UK Government should make it clear that it supports Ofcom entirely in defending the rights of public service broadcasters in the event of disputes with other media platforms which arise from the Media Bill. ....Page 17
- Recommendation 2.** The UK Government should amend the Media Bill to change references to “appropriate” prominence of public service content to “significant” prominence of public service content. .... Page 18
- Recommendation 3.** The UK Government should amend the Media Bill to increase Ofcom’s powers in relation to the Welsh language on commercial radio in order to protect Welsh language content in areas with a significant Welsh-speaking population..... Page 18
- Recommendation 4.** The UK Government should significantly increase S4C’s funding. This should include indicative funding for a number of years to enable S4C to adequately plan for the future. ....Page 23
- Recommendation 5.** The UK Government should consider funding S4C according to a formula, to give S4C greater certainty over future funding. This formula could include linking S4C’s funding to measures of inflation such as CPI or RPI, or have reference to overall licence fee revenue. It should include a ratchet mechanism to ensure that funding for S4C does not fall in real-terms. ....Page 23
- Recommendation 6.** The UK Government’s BBC Funding Model Review must take evidence from S4C. The review must make specific reference to the public funding of S4C as the broadcaster is primarily funded from the licence fee. ....Page 23
- Recommendation 7.** The BBC’s spend on English-language television content in Wales should grow year-on-year until it approaches parity with the BBC’s spend on English language content in Scotland. The BBC should outline to this Committee how it will achieve this.....Page 30
- Recommendation 8.** Ofcom should be ambitious in using its regulation of the BBC to drive improvements to the BBC’s representation and portrayal of people in Wales. The BBC and Ofcom should report back to this Committee before the end of the Sixth Senedd to report on its progress. ....Page 30

**Recommendation 9.** S4C should ensure more even distribution of content spend across Wales. It should report to back to the Committee outlining how it will do this. ....Page 33

**Recommendation 10.** Ofcom should include a requirement for the Channel 3 licence in Wales to produce a greater proportion of network content in Wales. It should report to back to the Committee outlining how it will do this. ....Page 41

**Recommendation 11.** Network news providers, including the BBC and ITN, should keep driving improvements in their reporting of devolved policy issues. ....Page 43

**Recommendation 12.** Ofcom should continuously review UK network news coverage of devolved policy issues. It should report to back to the Committee outlining how it will do this. ....Page 44

**Recommendation 13.** Ofcom should use existing regulatory powers to improve network news coverage of devolved policy issues. It should report to back to the Committee outlining how it will do this. ....Page 44

**Recommendation 14.** Ofcom should improve its analysis of media provision in Wales, including by increasing staffing levels in Wales. .... Page 56

**Recommendation 15.** The UK Government should set out how it will improve the provision of media content for audiences in Wales. ....Page 57

**Recommendation 16.** The Welsh Government should only agree to appointments to the roles of Ofcom and BBC members for Wales once a Senedd committee has been offered the opportunity to hold a pre-appointment hearing with the preferred candidates.....Page 57

**Recommendation 17.** The UK Government appointment of the S4C Chair should require the agreement of the Welsh Government. This should be accompanied by offering a Senedd committee the opportunity to hold a pre-appointment hearing with the preferred candidate.....Page 57

## 1. Introduction

1. The broadcasting industry is undergoing a period of significant transformative change driven by technological development and the globalisation of services. Viewers are responding to the huge increase in media choice by moving away from traditional broadcast television to subscription video-on demand (SVOD) services such as Amazon Prime.

2. When S4C was launched in 1982, it was one of four television channels available in Wales. It is now one of 70 Freeview channels; not to mention channels available through subscription packages, and online-only services like Netflix. The impact of new digital technologies on broadcast media has seen:

- A reduction in the reach of all the main public service broadcasting<sup>1</sup> channels.
- A reduction in the proportion of time spent watching broadcast television, especially by young people. Only 16 per cent of the video watched by people aged 16-34 in the UK in 2022 was live television. When broadcasters' catch-up services are included, this figure becomes 23per cent.<sup>2</sup>
- A sharp growth in the take-up of SVOD services. Between 2015 and 2018 the number of UK homes with access to an SVOD service doubled, and was 66 per cent of households in 2023. 63 per cent of Welsh households had access to an SVOD at the beginning of 2023.<sup>3</sup>
- A large growth in the content budgets of SVOD companies. Netflix and Amazon reportedly spend as much as £15 million per hour,<sup>4</sup> compared with the BBC's indicative tariff of £1 million per hour for premium drama.<sup>5</sup> In 2022-23, S4C's cost per hour for drama was £100,000 - £200,000.<sup>6</sup>

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<sup>1</sup> Sometimes referred to as "PSB" in selected quotes in this report.

<sup>2</sup> [Ofcom Media Nation 2023](#)

<sup>3</sup> These figures are sourced from [Ofcom Media Nations UK 2022](#) and [Ofcom Media Nations Wales 2023](#)

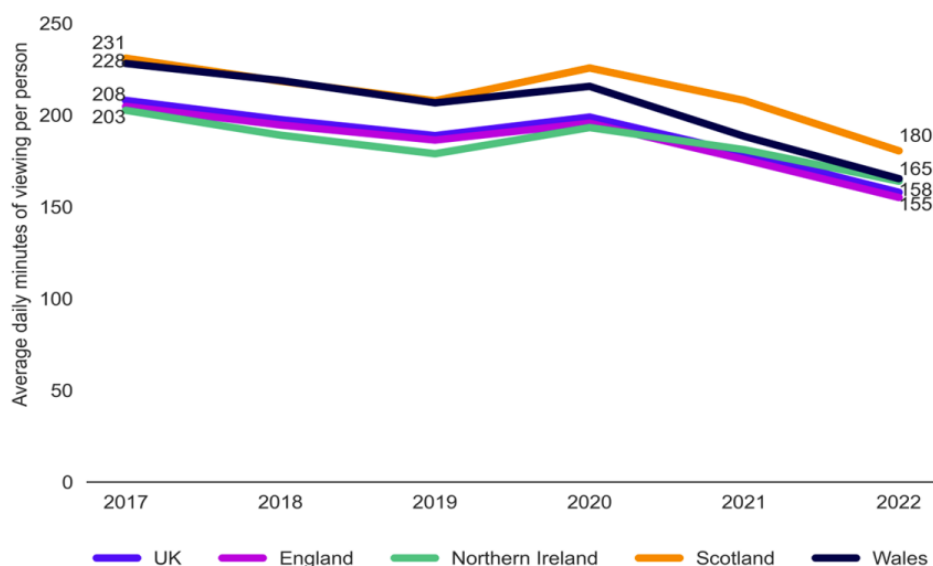
<sup>4</sup> [Public service broadcasting: as vital as ever - Select Committee on Communications and Digital - House of Lords](#) - 5 November 2019

<sup>5</sup> [BBC tariff range of indicative prices for the supply of commissioned television programmes](#)

<sup>6</sup> [S4C Programme Tariffs - cost per hour](#)

3. The average daily minutes viewed of broadcast television has been dropping year on year (aside from 2020 which accounts for Covid-19 pandemic lockdowns).<sup>7</sup>

**Average daily minutes viewed of broadcast TV per person, by nation: 2017-2022<sup>8</sup>**



Source: Barb. BBC areas, all individuals (4+).

4. Meanwhile, legislation has been introduced in the UK Parliament to, amongst other things, ensure public service broadcasting regulation was fit for the digital age.<sup>9</sup>

5. We decided to hold a series of scrutiny sessions with stakeholders in public service broadcasting to determine how the public service broadcasters are faring. Our initial intention was that these sessions should take the form of a short review, building on the work of the Culture, Welsh Language and Communications Committee (“our predecessor Committee”) on the topic in 2021.<sup>10</sup> It was envisioned that these evidence sessions would inform and complement one another to allow us to form a view on the state of public service broadcasting in Wales.

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<sup>7</sup> [Ofcom Media Nations. Wales 2023](#)

<sup>8</sup> [Ofcom Media Nations. Wales 2023](#)

<sup>9</sup> [Media Bill](#) - UK Parliament

<sup>10</sup> [Exploring the devolution of broadcasting: How can Wales get the media it needs? - Culture, Welsh Language, and Communications Committee](#) - March 2021

- 6.** As we explored the issues outlined in this report, however, it became clear that there were a number of recommendations we should make to introduce changes to improve public sector broadcasting in Wales.
- 7.** The remainder of this report explores the key issues we have identified during our review of public service broadcasting in Wales and proposes a number of actions which we think could improve matters.
- 8.** We are grateful to all those who participated in oral evidence sessions with us in autumn 2023.

## 2. The Media Bill

### Context

**9.** In 2021, Ofcom published a report following a public debate on the future of public service media (“PSM”) in the UK, “Small Screen: Big Debate”.<sup>11</sup> In a statement accompanying the report, Ofcom said:

*“There was a wide range of views, but agreement on some fundamental issues: the importance of PSM for UK viewers and the UK economy; and the urgent need to update the PSM system to ensure that it is financially sustainable for the future.”<sup>12</sup>*

**10.** As Ofcom noted in its report, the broadcasting industry in the UK is facing huge challenges.<sup>13</sup> The report noted that<sup>14</sup>:

- Rapid change in the industry – driven by global commercial trends and a transformation in viewing habits – is making it harder for public service broadcasters to compete for audiences and maintain their current offer.
- Legislation therefore needs to be overhauled for the digital age.
- Public service media providers must continue to transform if they are to succeed in the new broadcasting world.<sup>15</sup>

**11.** On 13 October 2021, we held a one-day inquiry on challenges facing public service broadcasters, which was informed in part by the findings outlined in Ofcom’s report.<sup>16</sup> Following this inquiry, we recommended that the UK Government should develop policy and legislative proposals to give effect to the

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<sup>11</sup> [Small Screen: Big Debate](#) - The debate on the future of public service broadcasting and media in the UK

<sup>12</sup> [Statement – Small Screen: Big Debate](#) – Ofcom – 15 July 2021

<sup>13</sup> [Small Screen: Big Debate](#) - The debate on the future of public service broadcasting and media in the UK

<sup>14</sup> [Small Screen: Big Debate](#) - The debate on the future of public service broadcasting and media in the UK

<sup>15</sup> [Small Screen: Big Debate](#) - The debate on the future of public service broadcasting and media in the UK

<sup>16</sup> [One day inquiry into the future of public service media – Culture, Communication, Welsh Language, Sport and International Relations Committee](#)

Ofcom recommendations in 'Small Screen: Big Debate', and ensure devolved administrations are fully involved in this work.<sup>17</sup>

**12.** In response to our report, the UK Government told us that it:

*"... is conducting its own strategic review of PSB, which has included appointing an independent PSB Advisory Panel. The Government is keen to ensure that the UK continues to benefit from a modern system of PSB that remains relevant and can continue to meet the needs of UK audiences in the future. The review is about working out how best to achieve that in light of the challenges the sector is currently facing."<sup>18</sup>*

**13.** On 29 March 2023, the UK Government published a Draft Media Bill to update broadcasting legislation to modernise public service broadcasting regulation.<sup>19</sup>

**14.** The Media Bill ("the Bill") was introduced to the House of Commons on 8 November 2023.<sup>20</sup>

**15.** Provisions in the Bill (as introduced) include<sup>21</sup>:

- Broadening the current prominence regime (which says that public service broadcasting content should be prominently available on television electronic programme guides) so that public service broadcasters' online services enjoy a similar privileged position on smart TVs, set-top boxes and streaming sticks to public service broadcasters live channels.
- Making qualification for the listed events regime a public service broadcasting-specific benefit, meaning S4C will be included. It also expands the range of services that will be within scope of the regime, ensuring that TV-like services not currently captured by the regime but

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<sup>17</sup> [Response to Small Screen: Big Debate - Culture, Communication, Welsh Language, Sport, and International Relations Committee](#) - December 2021

<sup>18</sup> [Response from Secretary of State for Digital, Culture, Media and Sport - Future of public service broadcasting and media in Wales](#) - December 2021 [PDF 114 KB]

<sup>19</sup> [Draft Media Bill policy paper - UK Government](#) - 29 March 2023

<sup>20</sup> [The Media Bill](#) - UK Parliament - 8 November

<sup>21</sup> [The Media Bill \(as introduced\)](#) - UK Parliament - 8 November 2023



providing live content to UK audiences via the internet, will have to comply with the legislation.<sup>22</sup>

- Removing the current geographical restriction on S4C's powers to ensure that S4C could provide services outside Wales, confirming that S4C would be allowed to provide a digital or online service, adjust the approval arrangements for S4C's commercial activities and changing the channel's governance arrangements.<sup>23</sup>

**16.** The then Minister of State for Media, Tourism and Creative Industries, the Right Honourable Sir John Whittingdale OBE MP ("the Minister") told the Welsh Affairs Committee in the House of Commons:

*"In the context of the Welsh nation and Welsh public service broadcasting, obviously, the two main providers will continue to be the BBC and S4C. They will have the prominence they enjoy at the moment on linear, reinforced with the prominence legislation in the Media Bill, and we are also giving them a bit more flexibility as to how they go about delivering the content. As I say, for broadcasting generally, this is a golden age in terms of consumer choice and so on, but for public service broadcasting, it remains absolutely central to the Government's view of the broadcasting landscape, however it should evolve."<sup>24</sup>*

## Stakeholder views

**17.** We heard that there was general support for the Media Bill. For example, prior to its introduction, S4C told us that if the Draft Bill was passed in its current form, they would be very happy.<sup>25</sup>

## Timing of the Media Bill

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**18.** Witnesses raised concerns about the timing of the Bill, which they felt was already overdue. S4C told us:

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<sup>22</sup> [Explanatory Notes Media Bill \(as introduced\)](#) – UK Parliament – 8 November 2023

<sup>23</sup> [The Media Bill \(as introduced\)](#) – UK Parliament – 8 November 2023

<sup>24</sup> [Oral evidence – Broadcasting in Wales – Welsh Affairs Committee – Q423](#) – 28 June 2023

<sup>25</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 54](#)

*"It's already late in the day—it would be better if this had reached the statute book some years ago. Any further delay would be very damaging for us as an organisation."<sup>26</sup>*

**19.** ITV added that they wanted to see the Bill pass before the forthcoming UK general election.<sup>27</sup>

### **Role of Ofcom and prominence of public service broadcasters**

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**20.** Part 2 of the Bill, as introduced, provides a role for Ofcom in resolving disputes between public service broadcasters and platforms, should they fail to agree the terms on which platforms carry public service broadcasting services under the new online prominence regime.<sup>28</sup> We were told that there needs to be sufficient power for Ofcom to resolve these disputes.

**21.** S4C said that, if negotiations with owners of platforms, or technology makers, fail, then they'd need to turn to Ofcom.<sup>29</sup> ITV told us that:

*"Ofcom is going to have an incredibly important role in enforcing the new regime, and one of the things we would like...is Parliament to make very clear, and the Senedd indeed to make very clear, that it's important Ofcom is muscular in its enforcement of the regime, because in effect it's going to be confronting global players—Amazon, Google, Samsung and so on. It's really important that they are emphatic about what Parliament wants in terms of prominence, in terms of making sure the terms on which we are carried are appropriate."<sup>30</sup>*

**22.** We asked the Minister about this and we were told that the expectation would be that Ofcom would support the public service broadcasters.<sup>31</sup>

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<sup>26</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 54](#)

<sup>27</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 250](#)

<sup>28</sup> [Explanatory Notes for Media Bill \(as introduced\)](#) – UK Parliament – 8 November 2023

<sup>29</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 57](#)

<sup>30</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 250](#)

<sup>31</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 19 October 2023 – paragraph 130](#)

**23.** The BBC suggested to us that the Bill should require public service broadcasters' services to have "significant prominence", rather than, as the Bill is drafted, "appropriate prominence".<sup>32</sup> They stressed:

*"We have to decide are we going to protect what I think is a unique media landscape."<sup>33</sup>*

**24.** The BBC told us of matters they would like to see addressed in the Bill:

*"... would be 'significant prominence', that would be things like are there going to be controls over remote controls and what you put on there, because we do know that—. Frankly, I come from a commercial background, where if money talks—. Just say you were a television manufacturer and the biggest cheque got you the biggest button on the remote control—would that be acceptable? Are we okay with that just being led by the market?"<sup>34</sup>*

## **The loss of limited Welsh language regulation on commercial radio**

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**25.** Ofcom's current powers in respect of the use of Welsh language by commercial radio licence holders are limited. Currently, licensees make commitments on the character of services – including any Welsh language commitments – as part of a competitive licence application process. Ofcom then sets licence obligations, which reflect these commitments.<sup>35</sup>

**26.** In correspondence with us, Ofcom explained that the draft provisions within the Bill would remove Ofcom's statutory function to regulate "the character of service of local commercial stations". This means it will be up to service providers themselves whether or not they broadcast in Welsh.<sup>36</sup>

**27.** In its 2021 report, our predecessor Committee recommended the following changes to commercial radio regulation:

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<sup>32</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 11](#)

<sup>33</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 11](#)

<sup>34</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 13](#)

<sup>35</sup> [Response from Ofcom: Public service broadcasting in Wales](#) - 23 October 2023 [PDF 230 KB]

<sup>36</sup> [Response from Ofcom: Public service broadcasting in Wales](#) - 23 October 2023 [PDF 230 KB]

*“The UK Government should legislate to enable an appropriate regulatory body to require Welsh language content as part of commercial radio licences in Wales, alongside introducing a regulatory category of “all-Wales news”. The Welsh Government should have a formal role in setting these requirements.”<sup>37</sup>*

## Our View

**28.** Like all the stakeholders we heard from, we generally welcome the Media Bill. We think it will provide a much needed legislative foundation for public service broadcasting to ensure that it is fit for the digital age.

**29.** Whilst we welcome the Bill, we also agree with witnesses about the importance of the role envisaged for Ofcom in the Bill. Ofcom needs the requisite powers, and evidence of political will, to allow it to adjudicate on any disputes between public service broadcasters and other media platforms, when it comes to prominence. We think that Ofcom’s powers in this instance could be better defined.

**30.** As such, we welcome the Minister’s expectation that Ofcom will “have their [public service broadcasters] back”, and call on the UK Government to make this view clear in any policy direction issued to Ofcom following the enactment of the Media Bill.

**Recommendation 1.** The UK Government should make it clear that it supports Ofcom entirely in defending the rights of public service broadcasters in the event of disputes with other media platforms which arise from the Media Bill.

**31.** We are also pleased that the Bill recognises and protects the unique contribution of public service broadcasters to the broadcasting ecology. We agree with the BBC, however, about, references to “appropriate” prominence for public service content contained in the Bill. These references should be changed to “significant” prominence. We think that this higher degree of prominence would reflect the importance of public service broadcasting to the UK’s broadcasting ecosystem.

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<sup>37</sup> [Exploring the devolution of broadcasting: How can Wales get the media it needs? - Culture, Welsh Language, and Communications Committee](#) - March 2021

**Recommendation 2.** The UK Government should amend the Media Bill to change references to “appropriate” prominence of public service content to “significant” prominence of public service content.

**32.** We are also concerned by what we heard with regard to the changes in Ofcom’s regulatory powers for the Welsh language on commercial radio. As we noted, whilst we broadly support the Bill, we are disappointed that it, as drafted, would see Ofcom lose its limited regulatory powers for the Welsh language on commercial radio. The lack of market provision with regard to broadcasting in Welsh makes it an area where we feel Ofcom, as the regulator, needs a role to ensure provision for Welsh-speaking audiences. We are of the view that Ofcom’s powers in relation to the Welsh language should be enhanced to allow it to require Welsh language provision on commercial radio services in Wales.

**Recommendation 3.** The UK Government should amend the Media Bill to increase Ofcom’s powers in relation to the Welsh language on commercial radio in order to protect Welsh language content in areas with a significant Welsh-speaking population.

## 3. Funding for public service broadcasting

### Context

**33.** There are two models for funding public service broadcasting in the UK. Free to air channels such as ITV<sup>38</sup> and Channel Four<sup>39</sup> are funded entirely by their own commercial activities. Other channels like the BBC and S4C are funded primarily by the licence fee<sup>40</sup> which is set by the UK Government.

**34.** From 1996 to 2010, S4C was funded directly by the UK Government. Following the 2010 Comprehensive Spending Review which reduced S4C's income by 24 per cent, much of the channel's income was provided from the licence fee and topped up the UK Government.<sup>41</sup> Since April 2022, S4C's public funding has come entirely from the licence fee<sup>42</sup> (although about two per cent<sup>43</sup> of S4C's income is commercially raised).

**35.** In January 2022, the then Secretary of State for Digital, Culture, Media and Sport determined that the licence fee would be frozen at £159 for two years, before rising with Consumer Price Index inflation until March 2028.<sup>44</sup> S4C saw the consolidation of its previous Licence Fee funding (£74.5million per annum) together with the grant income from the UK Government (£6.85 million per annum). A further £7.5million per annum was awarded from the Licence Fee to support S4C's digital development.<sup>45</sup> In total, this provided S4C with approximately £88.85million in Licence Fee funding from 1 April 2022, with this amount to increase annually in line with CPI inflation from 1 April 2024 until the end of the settlement period (31 March 2028).<sup>46</sup>

**36.** The Voice of the Listener and Viewer (a charity) estimated in 2022 that, since 2010, the BBC's income has dropped by over 25 per cent in real-terms.<sup>47</sup> Further to

<sup>38</sup> [What we do - ITV](#)

<sup>39</sup> [Frequently Asked Questions - Channel Four](#)

<sup>40</sup> [Licence fee and funding - BBC](#)

<sup>41</sup> [Wales Media Audit 2015 - Institute of Welsh Affairs](#) - 11 November 2015

<sup>42</sup> [Letter from Secretary of State to S4C on Final Determination of the 2022 licence fee settlement - UK Government](#) - 21 January 2022

<sup>43</sup> [S4C Annual Report and Accounts 2022-23](#)

<sup>44</sup> [Letter from Secretary of State to BBC on Final Determination of the 2022 licence fee settlement](#) - 21 January 2022

<sup>45</sup> [Letter from Secretary of State to S4C on Final Determination of the 2022 licence fee settlement - UK Government](#) - 21 January 2022

<sup>46</sup> [Letter from Secretary of State to S4C on Final Determination of the 2022 licence fee settlement - UK Government](#) - 21 January 2022

<sup>47</sup> [BBC Licence Fee Settlement - Voice of the Listener and Viewer](#) - 18 January 2022

this, in 2019, the House of Lords Select Committee on Communications and Digital called for the introduction of “an independent and transparent process for setting the licence fee”.<sup>48</sup> Their proposals included the establishment of a BBC Funding Commission which would consult with interested parties on the BBC’s role and functions before making a recommendation to the Secretary of State for Culture, Media and Sport (“the Secretary of State”).<sup>49</sup>

**37.** Our predecessor Committee in the Fifth Senedd (2016-21) recommended that they would like to see (in the context of broadcasting being a reserved matter):

*“... an independent funding commission established with distinct Welsh representation. Decisions made by such a body should seek consent from representatives of all UK nations. Welsh appointees to this Committee should be made by the Welsh Government and subject to a confirmation hearing in front of an appropriate Senedd committee.”<sup>50</sup>*

**38.** In June 2023, the Minister told the Welsh Affairs Committee that he didn’t think there’s a likely alternative to the licence fee in the short to medium term.<sup>51</sup>

**39.** In December 2023, the UK Government launched what they called a “BBC Funding Model Review”.<sup>52</sup> However, the terms of reference for the review do not mention S4C, whose public funding also comes from the licence fee.<sup>53</sup> On the same day as this announcement, the UK Government also announced that the licence fee would increase by 6.6 per cent from April 2024.<sup>54</sup>

**40.** The Broadcasting Act 1990 gives the Secretary of State the duty of providing sufficient funding for S4C.<sup>55</sup> The Act, however, makes no reference to any process which should be followed in coming to a decision as to the amount required. In 2017, S4C said:

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<sup>48</sup> [Public service broadcasting: as vital as ever – House of Lords Select Committee on Communications and Digital](#)

<sup>49</sup> [Public service broadcasting: as vital as ever – House of Lords Select Committee on Communications and Digital](#)

<sup>50</sup> [Exploring the devolution of broadcasting: How can Wales get the media it needs? – Culture, Welsh Language, and Communications Committee](#) – March 2021

<sup>51</sup> [Oral evidence – Broadcasting in Wales – Welsh Affairs Committee – Q434](#) – 28 June 2023

<sup>52</sup> [BBC Funding Model Review: terms of reference](#) – UK Government – 7 December 2023

<sup>53</sup> [BBC Funding Model Review: terms of reference](#) – UK Government – 7 December 2023

<sup>54</sup> [BBC licence fee review launched as action taken to ease rises](#) – UK Government

<sup>55</sup> [Broadcasting Act 1990](#)



*“This weakness has made S4C vulnerable to periodic cuts and allowed fears to be expressed regarding the continuation of the Government’s commitment to the service.”<sup>56</sup>*

## Funding for S4C

**41.** S4C told us that there has to be sustainable funding for S4C over a period of time:

*“This isn’t an industry where you can change direction from month to month—you need time to plan, to commission drama, for example, some of our most important output as a channel. The planning pipeline happens over a period of years.”<sup>57</sup>*

**42.** S4C also called for at least the same level of funding in real-terms (i.e. accounting for inflation).<sup>58</sup>

**43.** S4C explained to us that they’ve managed their existing levels of funding by prioritising children’s programming, drama and sport. They noted that they had used reserves over the past couple of years and that the biggest challenge facing them was inflationary costs in producing dramas.<sup>59</sup>

**44.** When it comes to future funding allocations for S4C, the Minister told us that the UK Government will determine what amount of the licence fee income should go to S4C. He noted that this might not be a set proportion but would be subject to discussions with S4C and the BBC.<sup>60</sup> He added that:

*“I’m conscious that, with an overall pot of money raised by the licence fee, if you give a bit more to S4C, that’s a bit less for the BBC, and the*

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<sup>56</sup> [Pushing the Boundaries – A vision for the next 10 years – S4C – 7 April 2017](#)

<sup>57</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 33](#)

<sup>58</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 33](#)

<sup>59</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraphs 15-16](#)

<sup>60</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 19 October 2023 – paragraph 78](#)

*BBC are already very unhappy about the extent to which they have been squeezed by the freeze of the last couple of years.”<sup>61</sup>*

## **BBC funding**

**45.** The BBC told us that an increase in the licence fee was needed for the BBC to serve the whole United Kingdom:

*“The BBC has also lost 30 per cent of its income over that decade, and I think support for the licence fee, support for restoring inflation within our licence fee, is a necessity if we are to serve and to proceed with universality, so that we reach every corner of the United Kingdom, whether it's Blaenau Gwent or the Cynon valley, or anywhere else. We need the money. And at some point, I think the UK Government also has to take a decision that it wants a broadcaster of scale operating throughout the world, and then it has to figure out how to pay for it.”<sup>62</sup>*

## **Our View**

**46.** Like most of the public sector, publicly funded broadcasters have not been immune from the funding pressures of the past decade and a half. For example, since 2010, the UK Government has reduced S4C's funding in real-terms by over 30 per cent. This is a significant reduction. We think that such a funding settlement severely constrains the broadcaster at a time when it needs to expand to provide services across broadcast and on-demand platforms. This is required not only to allow S4C to meet its obligations as a public service broadcaster, but also to ensure it can continue to play a vital role in supporting the Cymraeg 2050 target.

**47.** We are of the view that S4C needs a substantial increase in funding. This should include indicative funding for a number of years. This increase in funding, and clarity on forthcoming settlements, would enable S4C to adequately plan its content over a number of years.

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<sup>61</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee - 19 October 2023 - paragraph 86](#)

<sup>62</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee - 16 November 2023 - paragraph 169](#)

**48.** We also think that the UK Government should consider funding S4C according to a formula. This would give the broadcaster more assurance over future funding. Such a formula could include linking S4C's funding changes to measures of inflation such as CPI or RPI, or have reference to overall licence fee revenue. It should include a ratchet mechanism to ensure that S4C's funding does not fall below annual real-terms cost changes.

**Recommendation 4.** The UK Government should significantly increase S4C's funding. This should include indicative funding for a number of years to enable S4C to adequately plan for the future.

**Recommendation 5.** The UK Government should consider funding S4C according to a formula, to give S4C greater certainty over future funding. This formula could include linking S4C's funding to measures of inflation such as CPI or RPI, or have reference to overall licence fee revenue. It should include a ratchet mechanism to ensure that funding for S4C does not fall in real-terms.

**49.** We were surprised that the terms of reference for the UK Government's review of the BBC's licence fee did not cite S4C, especially considering that the channel is funded almost entirely from the licence fee. We think the review must take evidence from S4C. The review must also make explicit mention of the public funding of the Welsh language broadcaster.

**Recommendation 6.** The UK Government's BBC Funding Model Review must take evidence from S4C. The review must make specific reference to the public funding of S4C as the broadcaster is primarily funded from the licence fee.

## 4. BBC

### Financial performance

**50.** The estimated income from the licence fee raised in Wales in 2022-23 was £187million. This is down £3million from the 2021-22 figure of £190million. However, expenditure by the BBC in Wales in 2022-23 was £208million, which was £20million higher than the previous year (2021-22 figure of £188million).<sup>63</sup>

**51.** According to our calculations, this means that in 2022-23 the total BBC expenditure in Wales was 11 per cent greater than the estimate income the BBC received from Wales. However, in 2021-22 it was 1 per cent lower. With regards to this lower figure, the BBC told us that:

*“That year was a very unusual year where the BBC spent, I think, £2 million less than it raised in the licence fee. And I believe that was COVID related. Of course, we had no live events, no live sport, and so forth. So, it was a very difficult time to manage. But, of course, it was unusual. If we look across a number of years, the situation's been very, very different.”<sup>64</sup>*

### Network spend in Wales

**52.** In 2022-23, £72million of network content spend was in Wales – this is a 26 per cent increase from 2021-22.<sup>65</sup> According to the terms of its operating licence with Ofcom, at least 5 per cent of the BBC’s expenditure on UK network programmes must be spent in Wales (in 2022 the actual figure was 5.4 per cent).<sup>66</sup> This follows a strategy pursued by previous Director General of the BBC to move production out of London.

**53.** The BBC explained its strategy of moving activity outside of London:

*“We're in the opposite position to moving the BBC's power, resources and money towards London. That's exactly the opposite of the strategy I've set. In fact, the 'across the UK' plan, if I may—and I will be*

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<sup>63</sup> [BBC Group Annual Report and Accounts 2022-23](#)

<sup>64</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 102](#)

<sup>65</sup> [BBC Group Annual Report and Accounts 2022-23](#)

<sup>66</sup> [Ofcom Media Nations Wales 2023](#)

*defensive on this, because we've pushed £700 million out—. There's more drama happening in Wales than ever before.”<sup>67</sup>*

**54.** We were told another outcome of this approach means you can be a “network-level editor” while working in a Cardiff, rather than London, newsroom. The BBC considered this is as transformational from a career development perspective.<sup>68</sup>

**55.** We also discussed with Ofcom concerns around inaccurate reporting of companies as “Wales-based” for the purposes of the BBC’s made-in-Wales network requirements. We were told that once Ofcom have the evidence of this, they would review the situation.<sup>69</sup>

## Local television content

**56.** Between 2006-07 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.<sup>70</sup> This led to criticism by our predecessor Committee.<sup>71</sup> In May 2016, the BBC acknowledged this as an issue:

*“the funding for English language content made in Wales for a Welsh audience has dropped to unsustainable levels”.*<sup>72</sup>

**57.** Following this, in February 2017, the BBC announced that it would spend an additional £8.5million per annum for English language programming in Wales. It stated that it expected to reach £30million per annum by 2019-20.<sup>73</sup> At the time, the BBC aimed that “at least half the additional programming should also be broadcast on the BBC’s UK network channels.”<sup>74</sup> The BBC tariffs provide a range of

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<sup>67</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 19](#)

<sup>68</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 22](#)

<sup>69</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October – paragraph 323](#)

<sup>70</sup> [The Big Picture – The Committee’s Initial Views on Broadcasting in Wales – Culture, Welsh Language and Communications Committee – February 2017](#)

<sup>71</sup> [The Big Picture The Committee’s Initial Views on Broadcasting in Wales – Culture, Welsh Language and Communications Committee – February 2017](#)

<sup>72</sup> [Letter to the First Minister – The BBC in the devolved nations – 12 May 2016](#)

<sup>73</sup> [BBC to increase investment in programming for Wales by 50 per cent – BBC Media Centre – 21 February 2017](#)

<sup>74</sup> [BBC to increase investment in programming for Wales by 50 per cent – BBC Media Centre – 21 February 2017](#)

indicative prices for the supply of commissioned television programmes.<sup>75</sup> Typically, these are lower for content commissioned for the nations and regions rather than the UK network. However, it is not clear whether, by commissioning content for BBC Wales, and subsequently broadcasting it on the UK network, the BBC pays production companies less for content broadcast on the UK network than if they had commissioned it directly for the UK network.

**58.** In 2022-23, total spend on local TV content (i.e. TV content for Welsh audiences broadcast on BBC One and Two) was £36million. This is a 3 per cent increase from 2021-22, and above the BBC's target of £30million by 2019-20.<sup>76</sup> In response to this, the BBC told us:

*"We have managed to increase our spend on English-language television last year, and this year I believe we'll see further growth. And that's really my aim: if I've got a target, it's year-on-year growth."<sup>77</sup>*

## **Budget differential between Wales and Scotland**

**59.** We often hear of a comparison made between funding for the BBC in Wales, and that in Scotland – which has a channel filled with content specifically for Scotland. BBC Scotland was announced by the BBC in February 2017, with a proposed annual budget of £30million (£19million of new money, and £11million from programmes previously made for BBC Two in Scotland).<sup>78</sup>

**60.** In September 2018, BBC Cymru Wales told our predecessor Committee that that the budget for BBC Scotland would be “almost identical” to the BBC Cymru Wales budget for English language television,<sup>79</sup> and that:

*"I think it is absolutely appropriate that there is asymmetry in terms of how different nations want to spend their money. The view that we took very, very clearly was two things. One, that the market is moving, so the rise of on-demand players is very significant and we want to play big on the on-demand players. What do we know works there? We know that drama works there. So, that's why Hidden, Requiem and Keeping Faith have their combined requests on iPlayer, to date,*

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<sup>75</sup> [BBC tariff range of indicative prices for the supply of commissioned television programmes](#)

<sup>76</sup> [BBC Group Annual Report and Accounts 2022-23](#)

<sup>77</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 107](#)

<sup>78</sup> [New TV channel for BBC in Scotland – BBC News](#) – 2 February 2017

<sup>79</sup> [Culture, Welsh Language and Communications Committee – 26 September – paragraph 94](#)

*at 37 million. Drama is expensive but it plays well. Comedy plays; we've got a big season of comedy launching next week. The other thing we wanted to do is we wanted to put our content where the biggest audiences are. So, we deliberately focused in Wales on BBC One and we focused on getting our content particularly onto BBC Two at a UK level. So, all our focus is on delivering quality, raising the bar and getting our output to the biggest audiences.*

*When we talked about a channel in Wales, the issue that we came up with in Wales is (a) there isn't audience demand, and you need to listen to and respect where audiences are, but the second thing was that—and S4C have to grapple with this—filling channels requires certain levels of volume, and I don't think we're really—we don't want to be in the volume game, we want to be absolutely in a quality place. The reason Nick increases tariffs and the reason he can invest more in comedy and drama is because he doesn't have to fill schedules. So, we have taken a different route from Scotland, but I suspect, in terms of the audience return, for audiences here in Wales, and for getting us on the network, it's the right approach for us.”<sup>80</sup>*

**61.** In 2022-23, BBC Scotland received £35 million. This is marginally less than the BBC's spend on English language local TV content in Wales (£36million).<sup>81</sup> BBC Scotland is viewed by 13 per cent of the population on average per week.<sup>82</sup> However, in 2022-23 local content spend for BBC One in Scotland was £37million.<sup>83</sup> This means that the total budget for English language TV content in Scotland (BBC Scotland plus local content for BBC One) is double what is spent in Wales (£72million compared to £36million).

**62.** During our oral evidence session with the broadcaster, the BBC told us that despite high levels of English language TV spend in Scotland, typically less money was spent in Scotland than was raised.<sup>84</sup> The BBC also explained its decision not to have a separate English-language channel in Wales (as it does in Scotland):

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<sup>80</sup> [Culture, Welsh Language and Communications Committee – 26 September – paragraphs 96 – 97](#)

<sup>81</sup> [BBC Group Annual Report and Accounts 2022-23](#)

<sup>82</sup> [BBC Group Annual Report and Accounts 2022-23](#)

<sup>83</sup> [BBC Group Annual Report and Accounts 2022-23](#)

<sup>84</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 112](#)



*“So, there was a deliberate decision to go for high impact programming, in particular, drama, so as to create in Wales a creative sector and an expertise and a centre of excellence for a particular genre, which I think we have managed. And, in that, in the Keeping Faith, in the Steeltown Murders, in everything we've seen on screen, there has been significant representation. And that representation, unlike the Scottish channel, actually goes out to the whole of the UK so that there is a greater understanding of what Wales looks like and feels like.”<sup>85</sup>*

## **Audience representation**

**63.** In 2019, Ofcom told our predecessor Committee that Welsh audiences feel the BBC ought to improve its representation and portrayal of Welsh life.<sup>86</sup> As part of our inquiry, Ofcom said:

*“A couple of things we highlighted in our last review of the BBC were around how well the BBC was serving the lower socioeconomic groups, some of the poorer families—and that includes those in Wales—and disabled audiences. And, so, that was an area of focus for us. We've also acknowledged the BBC's Across the UK plans and the hopes that that will deliver, both on and off screen—better strength and breadth in the production side, but also what audiences see on their screens over the coming years.”<sup>87</sup>*

**64.** The BBC's Annual Report and Accounts shows that only 50 per cent of adults in Wales think the BBC is effective at “reflecting people like them”.<sup>88</sup>

## **BBC impact on local commercial news**

**65.** BBC Director General Tim Davie was questioned on the impact of BBC services on commercial local news:

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<sup>85</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 135](#)

<sup>86</sup> [Culture, Welsh Language and Communications Committee – 20 November 2019 – paragraph 41](#)

<sup>87</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 171](#)

<sup>88</sup> [BBC Group Annual Report and Accounts 2022-23](#)

*“We consider it deeply, and I’m not interested in the BBC not being part of a thriving, plural, creative industries. And I have the deepest respect, by the way, for operations like Reach; WalesOnline is an excellent service. You’ll never hear me criticise what I know are outstanding services that provide excellent journalism. We have a record—I mean, personally, you know, slightly defensively—in radio, opening up digital audio broadcast, that, actually, we don’t need, necessarily, a share. So, we don’t need to be 90 per cent of the market or 80 per cent; that’s not what we want. We want to be part of a plural market. All I need is enough of people’s time to justify the licence fee.”<sup>89</sup>*

## Our View

**66.** We welcome the BBC’s strategy to spread activity across the UK. The historic growth in BBC network spend in Wales has acted as a catalyst for TV and film production more broadly, and Wales now hosts a booming screen sector. We also share the BBC’s aspiration that BBC staff should not have to leave Wales to develop their careers. While this will benefit Wales, it will also benefit the BBC by connecting it more strongly to the audiences it serves outside the M25.

**67.** We also think it is appropriate that the BBC approaches its provision for the UK nations in ways that suit best suit the interests of those nations. Therefore, we do not have a principled objection to the BBC’s decision not to have a separate English-language TV channel in Wales as it does in Scotland. We do not, however, think it is appropriate that BBC spend on English language TV content in Scotland is double the equivalent figure in Wales.

**68.** This discrepancy cannot be justified based on levels of licence fee revenue raised in both countries. To do so would be to say that viewers in Wales should accept a worse service in return for living in a nation with a smaller population. Similarly, this discrepancy cannot be justified by citing spend from the licence fee on S4C in Wales: to do so would be to say that English-language viewers should accept a worse service in return for living in a bilingual nation.

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<sup>89</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 60](#)

**69.** We welcome the BBC's statement that its target for English-language TV spend in Wales is "year-on-year growth". We will be monitoring spend in this area in line with our recommendation below.

**Recommendation 7.** The BBC's spend on English-language television content in Wales should grow year-on-year until it approaches parity with the BBC's spend on English language content in Scotland. The BBC should outline to this Committee how it will achieve this.

**70.** The BBC also has work to do on ensuring that people across Wales feel represented by the services they receive. The scale of this challenge is clear as only half the Welsh population think the BBC reflects "people like them". We are optimistic that improved representation will be one of the consequences of the BBC's Across the UK plans. The BBC must be ambitious in these plans, and Ofcom need to be similarly ambitious in what it asks for from the broadcaster.

**Recommendation 8.** Ofcom should be ambitious in using its regulation of the BBC to drive improvements to the BBC's representation and portrayal of people in Wales. The BBC and Ofcom should report back to this Committee before the end of the Sixth Senedd to report on its progress.

## 5. S4C

### Digital transformation

**71.** S4C, like all public service broadcasters, are under pressure to ensure they respond effectively to the diversification of media consumption now taking place. S4C told us that the challenge for them in this regard is to go to places where young people consume their media. On their digital activity, they told us that:

*“The Clic figures for last year were going down; they're increasing this year. We've done a lot of work on Clic to improve the platform and make it a lot more user friendly. So, there is a lot of work, because of the settlement we received—the £7.5 million—that's gone into Clic. We've also been promoting iPlayer and Clic differently over the past year, because we don't mind where people come to the content—it's just that they use those platforms. When the media Act is put in place, Clic will be far more prominent. Currently, iPlayer is far more prominent than Clic. So, there are issues there. But things like YouTube have doubled in terms of viewing hours, so we're extremely encouraged that people are coming to us on those platforms. We still have work to do on Clic, and that will improve. We're now on Freeview and we're far more prominent now than we were. So, we have work to do there.”<sup>90</sup>*

### Economic impact

**72.** In their Annual Report for 2022-23, S4C state that one of their objectives over the coming years is ensuring a more balanced distribution of content spend across different parts of the country. As it stands, the majority of this spend (55 per cent) is in south Wales.<sup>91</sup> We were told that these figures however do not fully represent the economic impact made by the broadcaster:

*“... the numbers reflect where the headquarters are of the 52 production companies that we deal with. It does not reflect where we film. So, for example, we're in Llanellwedd and we're in north Wales. So,*

<sup>90</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 130](#)

<sup>91</sup> [S4C Annual Report and Accounts 2022-23](#)

*where our money is and where the economy benefits from S4C is not reflected in these figures.”<sup>92</sup>*

**73.** S4C have recognised the need to better distribute their content spend and move to places such as north-east and west Wales.<sup>93</sup>

## **Sports broadcasting**

**74.** Sports viewing figures are consistently among S4C’s most popular programmes.<sup>94</sup> S4C told us that the most important issue with sports programming is that it attracts new viewers, both who are learning Welsh and don’t speak the language, to watch sport on S4C.<sup>95</sup> We were also told that broadcasting women’s sport was important for their audiences and was an essential part of their strategy.<sup>96</sup>

**75.** We also discussed the challenges of keeping Wales international football free to air on S4C:

*“The FAW is essential as well in helping us with the discussions with Viaplay, and also UEFA. So, there were four of us making sure of that, and they understand how important it is in Wales. And that is up to you as well as a Government, or as Members of the Senedd—you have been lobbying. So, many things have come together to ensure that we’ve had that, and that’s been happening for a while. So, I’m very pleased with the way that we’re starting to move that forward.”<sup>97</sup>*

## **Our View**

**76.** Like many traditional media outlets, S4C has a big challenge in providing digital content that responds to the diversification of media consumption habits. As the only Welsh language video content provider, to continue its relevance with

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<sup>92</sup> Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 64

<sup>93</sup> Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 65

<sup>94</sup> Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 101

<sup>95</sup> Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 102

<sup>96</sup> Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 105

<sup>97</sup> Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 112

younger audiences, S4C needs to be everywhere that their audiences are. This challenge underscores the need for boldness from the broadcaster, backed up by adequate funding.

**77.** - S4C also has a laudable aim of ensuring “a more even distribution of content spend across Wales”. Currently the majority of spend (55 per cent) is in the south of Wales. We think S4C needs to increase its efforts to spread this expenditure across the country, a matter which S4C recognise it needs to address. We will be keen to monitor the broadcasters’ success in achieving a more equitable spread of spending across the nation.

**Recommendation 9.** S4C should ensure more even distribution of content spend across Wales. It should report to back to the Committee outlining how it will do this.

**78.** The Committee’s evidence session with S4C for this inquiry preceded the publication of the Capital Law Report into the working environment and atmosphere at S4C. After publication of the report we held a scrutiny session with members of the S4C Board (11 January 2024).<sup>98</sup> Following this session, we wrote to the Secretary of State for Culture, Media Sport outlining our findings.<sup>99</sup>

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<sup>98</sup> [Culture, Communications, Welsh Language, Sport, and International Relations Committee meeting - 11 January 2024](#)

<sup>99</sup> [Letter to the Department for Culture, Media and Sport: Allegations concerning bullying at S4C - 11 January 2024 \[PDF 272 KB\]](#)

## 6. ITV

### Channel 3 licence in Wales

**79.** Across the UK there are 15 regional Channel 3 licences, which describe the terms on which the owner of the licence must operate. Other than the two Scottish licences - which are owned by STV - all of these licences are owned by ITV.<sup>100</sup>

**80.** The Channel 3 licence for Wales requires ITV to provide four hours of news and 90 minutes of non-news programming for Wales every week.<sup>101</sup> This licence was renewed in 2014 for ten years.<sup>102</sup>

**81.** Until 2014, Wales was served by a dual Channel 3 licence which also covered the West of England. However, there was a large reduction in ITV's output for Wales in 2009. Ofcom's second Review of Public Service Broadcasting allowed for such a reduction. These reductions were allowed at the time by Ofcom as there was a fear ITV might choose to relinquish its status as a public service broadcaster, and in turn return its Channel 3 licences.<sup>103</sup> In 2014 the Channel 3 service for Wales was granted its own licence which runs to 2024.<sup>104</sup>

**82.** The existing licences for Channel 3 are due to expire on 31 December 2024. Licensees have the right to renew their licences for a further ten year period (2025 to 2035).<sup>105</sup> As public service broadcasters, they must meet the public service remit by providing high quality and diverse programming. The Channel 3 and Channel 5 licences include specific obligations relating to programming and production quotas.<sup>106</sup> Ofcom expects to publish its decision in early 2024.<sup>107</sup> The Secretary of State has also confirmed that there is no intention to prevent renewals of the Channel 3 and 5 licences, nor use any power to amend requirements attached to them.<sup>108</sup>

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<sup>100</sup> [Channel 3 \(ITV, STV and UTV\) - Ofcom](#)

<sup>101</sup> [Wales Media Audit 2015 - Institute of Welsh Affairs](#) - 11 November 2015

<sup>102</sup> [Notice of renewal Wales](#) - 19 February 2014

<sup>103</sup> [Wales Media Audit 2015 - Institute of Welsh Affairs](#) - 11 November 2015

<sup>104</sup> [Wales Regional Channel 3 Licence - Ofcom](#) - 23 December 2020

<sup>105</sup> [Relicensing of the Channel 3 and Channel 5 licences - Ofcom](#) - 19 September 2023

<sup>106</sup> [Ofcom methodology for a review of the financial terms of the Channel 3 and Channel 5 licences](#) - 19 September 2023

<sup>107</sup> [Ofcom methodology for a review of the financial terms of the Channel 3 and Channel 5 licences](#) - 19 September 2023

<sup>108</sup> [Letter from the Secretary of State for Culture, Media and Sport to Ofcom on the renewal of the Channel 3 and 5 licences](#) - 29 March 2023



**83.** ITV told us that due to changes in the way people consume their media, the licences are less valuable:

*“We’ve seen over the last five, 10 years or so, since the last licences were granted, a drift away from consumption of broadcast linear television, and that’s had two effects. It’s reduced the value of DTT capacity. So, we know that, to buy capacity for a channel on terrestrial television, on Freeview, the price to do that has gone down a lot, and, therefore, the benefit of having that spectrum for free has gone down too. And the value of prominence, arguably, has gone down, because, essentially, fewer people are using a linear grid electronic programme guide that you would expect to find on a traditional television set—so, literally, channel 1, channel 2, channel 3. Fewer people are accessing their content in that way. They’re using apps, they’re using all sorts of other methods of finding content, and the result of that is that the prominence is therefore less valuable. So, in aggregate, because of changing consumption habits, the licences are less valuable. But the truth is that’s the history of ITV since competition was introduced, if you like, because the licence, originally, literally gave you a monopoly, because there was no other commercial competition back in the 1950s and 1960s, and so the trajectory has been about introducing competition to ITV, which, inevitably, has eroded the value of the licence over time.”<sup>109</sup>*

**84.** ITV Cymru Wales were, however, keen to emphasise the significant public value of the Channel 3 licence to Wales:

*“What the licence does provide in Wales is really large and significant. We do create news and programmes, public service content, that the market would not otherwise provide. Because it’s ITV, we bring a mass audience to that.”<sup>110</sup>*

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<sup>109</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 263](#)

<sup>110</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 264](#)

**85.** ITV noted that the Media Bill should stop some of the declining value of the Channel 3 licensee due to prominence clauses contained within the Bill.<sup>111</sup>

**86.** Ofcom told us that when ITV had a monopoly in advertising revenue, “onerous” requirements were placed upon them in return. We were told that:

*“... the market has not been able to sustain that system in the face of the digital revolution and the mass of channels and the competition that exists today. So, we can't go back to that... Fortunately, we have the BBC, with the licence fee, which compensates for that, and the BBC, which used to be London-centric—it was the national broadcaster from London—is now moving more and more out of London, into Wales, into Scotland, into the north, the midlands, the west and so on. So, that's kind of where we are, and we shouldn't pretend that we can buck the market and start imposing all kinds of onerous licence conditions on commercial broadcasters who are in a real struggle to sustain their business models, which are severely challenged.”<sup>112</sup>*

**87.** Ofcom also told us that the Channel 3 licence in Wales was:

*“Broadly in the right place in terms of sustainability and delivering to those audiences that do choose to go to ITV Cymru as their first port of call.”<sup>113</sup>*

## **Network content and spend in Wales**

**88.** Public service broadcasters have, as part of their licence conditions, are given quotas for programmes broadcast for the first time on the UK network that are made outside of London. The BBC has individual quotas – both for value and hours of network content – for each of the UK nations, which came into effect this year, and Channel 4 also has an out-of-England quota. ITV has a broader requirement to make 35 per cent (by both cost and hours) outside the M25.<sup>114</sup>

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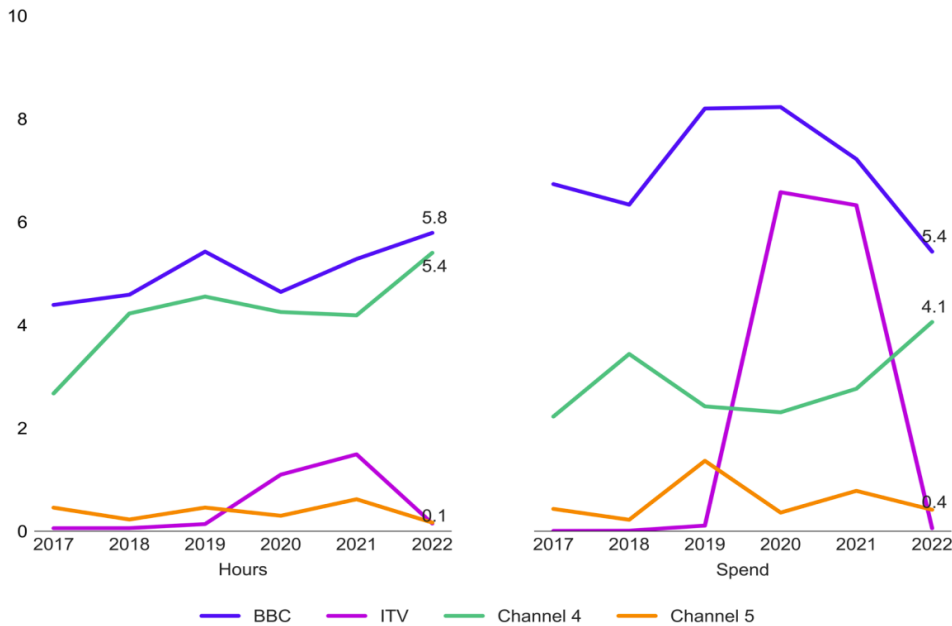
<sup>111</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 278](#)

<sup>112</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 296 – 297](#)

<sup>113</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 257](#)

<sup>114</sup> [Wales Regional Channel 3 Licence – Ofcom](#) – 23 December 2020

**Proportion of qualifying network spend in Wales, by public service broadcaster 2017-22 (as a percentage)<sup>115</sup>**



**89.** Ofcom data shows that in 2022 ITV’s UK network spend in Wales had plummeted to close to 0 per cent of their qualifying UK spend. In recent years, this figure was above 5 per cent.<sup>116</sup> Qualifying spend includes all costs incurred by the broadcaster incurred with making programmes.

**90.** Ofcom’s Media Nations Wales 2023 report states that:

*“The proportion of qualifying hours and spend allocated to Wales by ITV reduced in 2022. This was largely a result of the temporary relocation in 2021 of I’m a Celebrity... Get Me Out of Here!, which, following the easing of travel restrictions after the Covid-19 pandemic, returned to filming in Australia.”<sup>117</sup>*

**91.** Our predecessor Committee recommended that the Channel 3 licence in Wales produces a greater proportion of UK network content in Wales.<sup>118</sup>

<sup>115</sup> Ofcom Media Nations Wales 2023

<sup>116</sup> Ofcom Media Nations Wales 2023

<sup>117</sup> Ofcom Media Nations Wales 2023

<sup>118</sup> Exploring the devolution of broadcasting: How can Wales get the media it needs? – Culture, Welsh Language, and Communications Committee – March 2021

**92.** With regards to network spend, ITV told us that:

*“These numbers do fluctuate over time, and I have given you a few examples of a couple of dramas that we have commissioned from Bad Wolf. Drama is a big number, inevitably, and, as I say, we have got two big commissions with Welsh drama producers—one about to launch, which will be in this year’s numbers, I would imagine. We are also filming substantial amounts in Wales.”<sup>119</sup>*

**93.** Given the reduction in ITV’s qualifying spend in Wales, we sought the views of the regulator and UK Government on this.

**94.** Ofcom told us that the 2022 spends would have been impacted by the Covid-19 pandemic.<sup>120</sup> However, we are not clear as to what impacts they are referring to as by early 2022, most of Wales had reopened fully following various lockdowns and regulations put in place as result of the pandemic.

**95.** We asked the Minister whether he thought it was appropriate that ITV’s qualifying spend in Wales had reduced to nearly 0 per cent. He told us:

*“I would hope that that’s something that ITV would want to address. I mean, you can’t say that every part of the UK has to have a proportion of production that exactly matches the proportion of the population. But, from what you say, that’s quite a long way from that, and therefore that is something that—. I mean, ITV have a studio here, so I hope that’s something that they will be addressing.”<sup>121</sup>*

**96.** When we asked ITV for their view on our predecessor Committee’s recommendation on increasing spending in Wales, we were told:

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<sup>119</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 311](#)

<sup>120</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraphs 275 and 285](#)

<sup>121</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 19 October 2023 – paragraph 96](#)

*"I don't think we would want to have more obligations when we have an awful lot of obligations already of a whole variety of different sorts, and there are constraints on flexibility."<sup>122</sup>*

**97.** According to a presentation on their full year results in the ended 31 December 2022, ITV has consistently made over £500m in statutory operating profit over the past few years (aside from 2020).<sup>123</sup>

## Local television content

**98.** As already outlined, the Channel 3 licence for Wales requires ITV to provide four hours of news and 90 minutes of non-news programming for Wales every week.<sup>124</sup>

### Comparison of PSB requirements in Channel 3 licences across the UK<sup>125</sup>

Channel 3 licence	Regional news	Regional non-news	Regional current affairs
<b>Wales</b>	<b>4 hours</b>	<b>1 hour and 30 minutes</b>	<b>47 minutes</b>
11 English regional licences	Varies from 42 mins – 3 hours and 5 minutes	Varies from 3 – 15 minutes	None
STV (Central and North)	4 hours	1 hour and 30 minutes	33 minutes
Northern Ireland	4 hours	2 hours	33 minutes

**99.** ITV Cymru Wales's spend on content for Wales has remained similar since 2017, although it has shrunk from £6.1 million in 2017 to £5.7 million in 2022.<sup>126</sup>

<sup>122</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 329](#)

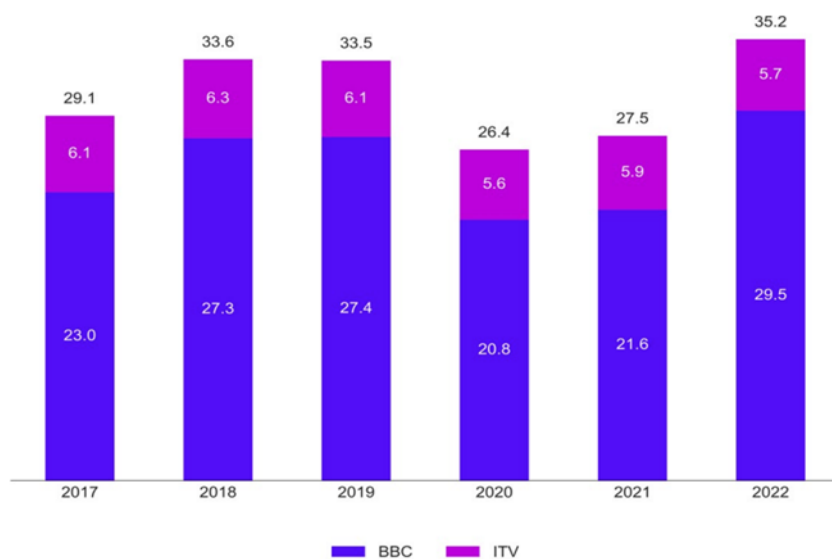
<sup>123</sup> [Full year results for the year ended 31 December 2022 – ITV](#) – 2 March 2023

<sup>124</sup> [Wales Media Audit 2015 – Institute of Welsh Affairs](#) – 11 November 2015

<sup>125</sup> [Letter from Ofcom to the Culture, Communication, Welsh Language, Sport, and International Relations Committee – Public service broadcasting](#) – 23 October 2023

<sup>126</sup> [Ofcom Media Nations, Wales 2023](#)

## BBC and ITV Cymru Wales spend on non-network first-run UK-originated content for Wales: 2017-2022 (£m)<sup>127</sup>



**100.** At the time when we of our inquiry, ITV’s online player – ITVX – did not contain a category for distinctly Welsh content. However we were told that this would be changing:

*“... in a few weeks’ time, we’re very hopeful that we’ll have ITV Wales programming on ITVX. I think that’s a really significant step, and I hope that will be quickly followed by the regionalisation of ITVX, and you’ll be able to watch ITV Cymru Wales live on ITVX.”<sup>128</sup>*

## Our View

**101.** The Channel 3 licence represents a delicate balance between public service broadcasting rights and obligations. We appreciate that the commercial nature of the Channel 3 licence limits the extent to which it can place public service broadcasting obligations on the licence holder. One impact of the Media Bill, however, will be a bolstering of the value of the Channel 3 licence, by providing for prominence on online platforms.

**102.** We were somewhat surprised by the reduction in ITV’s qualifying spend in 2022. As result, we think Ofcom could ask for more from the holder of the Channel 3 licence in Wales on network spend in Wales. As ITV benefits from the

<sup>127</sup> [Ofcom Media Nations, Wales 2023](#)

<sup>128</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 258](#)

economies of scale of operating across the UK, it is fair that Wales sees more of these benefits too. Given the thriving TV production sector in Wales, this requirement would not be overly burdensome for the broadcaster.

**Recommendation 10.** Ofcom should include a requirement for the Channel 3 licence in Wales to produce a greater proportion of network content in Wales. It should report to back to the Committee outlining how it will do this.

**103.** We are confused by Ofcom's suggestion that ITV's low level of spend in Wales in 2022 was the result of the pandemic, given the limited extent to which restrictions affecting TV production were in place that year. Senior managers' lack of awareness of a striking statistic about broadcasting in Wales, from Ofcom's own report, does not help to provide faith that the regulator is delivering for Wales.



## 7. UK news coverage of devolved issues

**104.** In 2022, Ofcom published research it had commissioned from Professor Stephen Cushion of Cardiff University and Dr Richard Thomas of Swansea University. This research looked at how well UK network news providers report devolved policy issues on television and online.<sup>129</sup>

**105.** The study focused on reporting of the response to the Covid-19 pandemic, with different approaches to public health policy taken in the four nations of the UK. It looked at television news bulletins broadcast on BBC, ITV, Channel 4, Channel 5 and Sky News, as well as the UK news websites on BBC, ITV and Sky News over a four-week period in summer 2021.<sup>130</sup>

**106.** It also sought to build a broader picture about the range of devolved topics covered in TV and online network news bulletins, and how the issues that matter to the people living in different parts of the UK are represented.<sup>131</sup>

**107.** Key findings from the report included:

- The content analysis study found that UK network news providers have enhanced their coverage of devolved issues compared to previous findings in 2015 and 2016.
- The BBC made the most of its larger network of journalists across the nations compared to the other network news broadcasters, by featuring more journalists on location beyond England than other news bulletins, and generally reported more news about devolved issues.
- BBC news reporting, and in particular its online news site, provided far more clarity about the relevance of devolved issues when compared to other network news TV bulletins and online sites.
- BBC TV news reporting supplied far more references to devolved powers either in Scotland, Wales and Northern Ireland than other network news

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<sup>129</sup> [Reporting the nations and devolved issues on network news: An analysis of television and online coverage - Professor Stephen Cushion \(Cardiff University\) and Dr Richard Thomas \(Swansea University\) - Ofcom](#) - 23 February 2022

<sup>130</sup> [Reporting the nations and devolved issues on network news: An analysis of television and online coverage - Professor Stephen Cushion \(Cardiff University\) and Dr Richard Thomas \(Swansea University\) - Ofcom](#) - 23 February 2022

<sup>131</sup> [Reporting the nations and devolved issues on network news: An analysis of television and online coverage - Professor Stephen Cushion \(Cardiff University\) and Dr Richard Thomas \(Swansea University\) - Ofcom](#) - 23 February 2022

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providers, while BBC online news more explicitly signposted the relevance of devolved issues than television news.<sup>132</sup>

**108.** We discussed network news reporting with Ofcom who told us:

*"I think there are still too many occasions when the devolved responsibilities of the devolved Parliaments are not accurately recorded or reflected in London news bulletins. I think that's true; I think the BBC recognises that, I think ITN recognises that, and I think Sky News recognises that. The case for an Ofcom intervention on those grounds has to be on the basis that we are required through the licence that—particularly the BBC—we cater for all audiences. And on the basis of complaints, on the basis of audience research, we would have no hesitation in intervening if there was a strong case to spend time and resources in calling for the journalists and the broadcasters to account on that basis. But I do agree with you that it's quite sloppy at times that the responsibilities of the devolved Parliaments are not accurately reflected in the news bulletins."<sup>133</sup>*

## Our View

**109.** We are pleased to see that network news reporting across the UK has improved its coverage of devolved issues. But there is still work to do to ensure that audiences are well-informed about important decisions that affect their daily lives, such as health, education and the economy. Network news in the UK is yet to fully catch up with the devolved nature of UK politics, and network news providers need to keep driving improvements in this area.

**Recommendation 11.** Network news providers, including the BBC and ITN, should keep driving improvements in their reporting of devolved policy issues.

**110.** To ensure that the progress to date doesn't slip, Ofcom should keep the issue of network news coverage of devolved policy issues under continual review. We think Ofcom should also use its regulatory powers to drive improvements to network news coverage of devolved policy issues.

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<sup>132</sup> [Reporting the nations and devolved issues on network news: An analysis of television and online coverage - Professor Stephen Cushion \(Cardiff University\) and Dr Richard Thomas \(Swansea University\) - Ofcom](#) - 23 February 2022

<sup>133</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee - 4 October 2023 - paragraph 214](#)

**Recommendation 12.** Ofcom should continuously review UK network news coverage of devolved policy issues. It should report to back to the Committee outlining how it will do this.

**Recommendation 13.** Ofcom should use existing regulatory powers to improve network news coverage of devolved policy issues. It should report to back to the Committee outlining how it will do this.

## 8. Sports broadcasting rights

**111.** The Broadcasting Act 1996 gives the Secretary of State for Digital, Culture, Media and Sport the power to draw up a list of sporting events of “national interest”.<sup>134</sup> This means the broadcast rights to these events must be offered to the main free-to-air terrestrial broadcasters on “fair and reasonable terms”. The aim is to make sure the events are made available to all television viewers. However, no definition for “national interest” is given in the 1996 Act.<sup>135</sup> The Media Bill proposes changes to the services (i.e. broadcasters) that qualify under the listed events regime to include S4C, but does not change the scope or nature of protection provided to listed events.<sup>136</sup>

**112.** Recent years have seen an increasing number of unlisted sporting events going behind a paywall, as free-to-air broadcasters struggle to compete with global streaming companies. An example of this is men’s Rugby Autumn International Series which has, since 2021, been aired on Amazon Prime rather than the BBC and S4C.<sup>137</sup>

**113.** Wales is the only UK nation to have any rugby games appear in its top 10 of most watched programmes in 2022.<sup>138</sup> As in 2021, the Wales v France Six Nations Rugby, broadcast on BBC One, was the most-viewed programme in Wales for the year, with an average audience of 652,000.<sup>139</sup> World Cup football and Wales v England in the Six Nations, both broadcast on ITV, were also in the top ten most watched shows in Wales in 2022.<sup>140</sup>

**114.** During the men’s Football World Cup in 2022, ITV showed the first of the Wales games against the USA and secured a peak UK audience of 11.5 million and a 56 per cent share of viewing.<sup>141</sup> In Wales, the peak share was even higher, with 69 per cent of the available TV audience watching the game on ITV.<sup>142</sup> ITV showed every fixture in the men’s Rugby World Cup tournament in France this year.

**115.** In October 2023, The House of Commons Welsh Affairs Committee recommended that the Six Nations Rugby Championship is added to the Group

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<sup>134</sup> [Part IV of the Broadcasting Act 1996](#)

<sup>135</sup> [Part IV of the Broadcasting Act 1996](#)

<sup>136</sup> [The Media Bill \(as introduced\)](#) – UK Parliament – 8 November 2023

<sup>137</sup> [Wales rugby: TV offers 'not enough' to air free coverage](#) – BBC News – 20 October 2021

<sup>138</sup> [Ofcom Media Nations, Wales 2023](#)

<sup>139</sup> [Ofcom Media Nations, Wales 2023](#)

<sup>140</sup> [Ofcom Media Nations, Wales 2023](#)

<sup>141</sup> [Ofcom Media Nations, Wales 2023](#)

<sup>142</sup> [Ofcom Media Nations, Wales 2023](#)

A list of sporting events, and that Ofcom is empowered to require certain sporting events to have Welsh language commentary.<sup>143</sup>

**116.** All the public service broadcasters we spoke to explained the value that sport provided to their audiences. All were enthusiastic supporters of the listed events regime. The BBC said that the Six Nations is huge for the people of Wales.<sup>144</sup> ITV told us that during the recent Wales and Argentina match in the 2023 Rugby World Cup that it seemed like everyone in the country was watching it.<sup>145</sup>

**117.** In 2021, we wrote the Secretary of State for Digital, Culture, Media and Sport regarding the pressures faced by public service broadcasters while competing with global streaming companies, notably with sports rights.<sup>146</sup> In response, the then Minister for Media, Data and Digital Infrastructure, Julia Lopez MP told us:

*"The Government believes that the current Listed Events regime works well and strikes an appropriate balance."<sup>147</sup>*

**118.** We asked the Minister for his views regarding the current listed events regime. He told us that a balance needed to be struck in listing events, which essentially caps the price that sports governing bodies can charge for broadcasting their events.<sup>148</sup> The Minister also explained that it would be difficult to provide different levels for sporting events across the UK:

*"I think it would be quite difficult to say that, for instance, rugby matches involving Wales should have a different level of protection to rugby matches involving England. I think you—[Interruption.] Well, yes, actually, I think rugby is attracting rather a lot of attention at the moment in England, and I think—. I'm not sure it would be right to try and distinguish between the importance of a sport in one part of the United Kingdom as against another part of the United Kingdom. At*

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<sup>143</sup> [Broadcasting in Wales - Welsh Affairs Committee - 27 October 2023 - House of Commons](#)

<sup>144</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee - 16 November 2023 - paragraph 190](#)

<sup>145</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee - 16 November 2023 - paragraph 313](#)

<sup>146</sup> [Letter to Secretary of State for Digital, Culture, Media and Sport - Future of public service broadcasting and media in Wales - November 2021 \[PDF 127 KB\]](#)

<sup>147</sup> [Response from Secretary of State for Digital, Culture, Media and Sport - Future of public service broadcasting and media in Wales - December 2021 \[PDF 114 KB\]](#)

<sup>148</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee - 19 October 2023 - paragraph 102](#)

*the moment, it's a theoretical issue, and I think the chances are it will probably remain a theoretical issue, but that is a matter for them.*"<sup>149</sup>

**119.** The Minister did tell us, however, that the current list of protected sporting events is not closed matter:

*"And I would say that whilst broadcasting is reserved, sport is not, and therefore—. We've always said that if the Welsh Parliament argued very strongly that, for the good of sport in Wales, we needed to look again at the listed events, we would look at it, certainly. So, it's not closed."*<sup>150</sup>

**120.** In correspondence with us after their evidence session, Ofcom outlined the challenging market conditions which public service broadcasters operate within regarding sports rights:

*"PSBs are facing budget constraints, whether from a freeze to the licence fee or a downturn in the advertising market, and this is compounded by production cost inflation. Sports rights can be expensive, and these budget constraints may be impacting PSBs' ability to compete for these rights packages. In recent years PSBs have also faced competition from new global media organisations interested in expanding into the sports market, including online and streaming services. PSBs have long faced competition in the sports rights market from Pay TV providers, such as Sky or BT Sport, so this is not a new challenge but is certainly becoming more acute."*<sup>151</sup>

## Our View

**121.** Recent viewing figures speak eloquently about the value that audiences place on watching national sporting events in Wales. The ability of public service broadcasters to buy rights to these events is, however, limited by their own budget constraints, as well as escalating prices in a global market.

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<sup>149</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 19 October 2023 – paragraph 104](#)

<sup>150</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 19 October 2023 – paragraph 117](#)

<sup>151</sup> [Letter from Ofcom to the Culture, Communication, Welsh Language, Sport, and International Relations Committee – Public service broadcasting – 23 October 2023](#)

**122.** We are grateful to the Minister, the Right Honourable Sir John Whittingdale OBE MP, for his openness to consider the views of the Senedd on whether any changes need to be made to the current listed sporting events system. Given the clear value that audiences place on sport in Wales, we decided to conduct a short inquiry on listed sporting events, focusing on the Six Nations Rugby Championship.



## 9. Welsh Government policy

**123.** Broadcasting is a matter reserved to the UK Government, as outlined in Schedule 7A to the Government of Wales Act 2006.<sup>152</sup> However, broadcasting is inter-linked to a range of devolved matters such as the Welsh language. For example, S4C is playing a key role in the work towards the target of 1 million Welsh speakers by 2050.<sup>153</sup>

**124.** The Deputy Minister for Arts, Sport and Tourism told us that the existing broadcasting framework is:

*“hampering the democratic life of our country and is not serving the needs of, or ambitions for, the Welsh language. It highlights the need to improve Welsh journalism and to tackle the information deficit. Media plurality is the backbone to any functioning, democratic society and its safeguarding is paramount to ensuring informed, balanced news provision.”<sup>154</sup>*

### Expert Panel on a Shadow Broadcasting and Communications Authority for Wales

**125.** In 2021, our predecessor Committee, the Fifth Senedd’s Culture, Welsh Language and Communications Committee, called for further powers over broadcasting to be devolved to Wales. These powers included a formal role in setting the licence fee, and responsibility for Welsh language broadcaster S4C. It did not recommend the wholesale devolution of broadcasting.<sup>155</sup>

**126.** In response, the Welsh Government said:

*“It remains the Welsh Government’s view that broadcasting or elements of broadcasting should not be devolved. There could be*

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<sup>152</sup> [Schedule 7A, Government of Wales Act 2006](#)

<sup>153</sup> [Memorandum of understanding: S4C and Cymraeg 2050 – Welsh Government](#) – 7 February 2023

<sup>154</sup> [Letter from the Deputy Minister for Arts, Sport and Tourism: Scrutiny of Public Service Broadcasting](#) – 12 March 2024 [PDF 211 KB]

<sup>155</sup> [Exploring the devolution of broadcasting: How can Wales get the media it needs? – Culture, Welsh Language, and Communications Committee](#) – March 2021

*significant financial risks to devolving these powers to Wales, with no guarantee that budgets would be transferred as well.*<sup>156</sup>

**127.** The Welsh Government’s position, however, changed following the Co-operation Agreement with Plaid Cymru in 2021.<sup>157</sup> The Agreement says that powers related to broadcasting and communications should be a matter for the Senedd.<sup>158</sup>

**128.** In June 2022, an expert panel on the devolution of broadcasting was announced to take forward a Co-operation Agreement commitment to explore the creation of a Shadow Broadcasting and Communications Authority for Wales.<sup>159</sup> This Expert Panel’s report was published in August 2023. The Expert Panel concluded that the sector:

*“... needs an independent body of expertise – a Shadow Broadcasting and Communications Authority – to increase transparency and visibility at a Welsh level.”<sup>160</sup>*

**129.** On 11 March 2024, the Welsh Government announced that it will establish a Broadcasting and Communications Advisory Body. This body will provide guidance and inform policy on broadcasting and communications in Wales.<sup>161</sup> The Welsh Government said that the body will include sector representatives, and will provide “regular, reliable advice” to the government.<sup>162</sup>

**130.** S4C told us that, even if the Shadow Authority was established, unless broadcasting was devolved, it would not change anything in terms of regulation.<sup>163</sup> However, ITV noted that they were looking forward to engaging with the Welsh Government on any recommendations arising from the report.<sup>164</sup>

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<sup>156</sup> [Welsh Government response to the Culture, Welsh Language and Communication Committee report, ‘Exploring the devolution of broadcasting: How can Wales get the media it needs?’](#)

<sup>157</sup> [The Co-operation Agreement](#)

<sup>158</sup> [The Co-operation Agreement](#)

<sup>159</sup> [Expert panel on the devolution of broadcasting announced – Welsh Government](#) – 14 June 2022

<sup>160</sup> [A new future for broadcasting and communications in Wales – Expert Panel on a Shadow Broadcasting and Communications Authority for Wales](#) – 2 August 2023

<sup>161</sup> [Written Statement: Update on Broadcasting – Welsh Government](#) – 11 March 2024

<sup>162</sup> [Written Statement: Update on Broadcasting – Welsh Government](#) – 11 March 2024

<sup>163</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 89](#)

<sup>164</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 16 November 2023 – paragraph 347](#)

## Our View

**131.** Whilst we note the Welsh Government's commitment to establish a new Broadcasting and Communications Advisory Body, it is too early for us to make an assessment of its work. We do, however, look forward to learning more about it, and to monitoring its progress, in due course.

## 10. Where will improvements come from?

**132.** Throughout the course of our inquiry, we asked witnesses about the challenges facing audiences in Wales. We wanted to explore where improvements in the provision of media content for audiences in Wales should come from.

### No All-Wales news

**133.** Our predecessor Committee called for changes to commercial radio licensing to require Welsh language content as part of commercial radio licences in Wales, and to introduce a regulatory category of “all-Wales news”.<sup>165</sup> In correspondence with us, the UK Government at the time rejected both proposals<sup>166</sup>:

*“The Government does not believe that proposals to introduce specific news and Welsh language requirements on commercial radio stations in Wales are appropriate and may result in a large increase in costs for commercial stations that already have significant challenges due to lower market sizes and higher distribution costs due to the hilly and mountain topography in much of Mid and North Wales in particular. We note that the BBC has plans to launch an extended BBC Cymru 2 service shortly, with a substantial increase in hours of original Welsh programming, and that commercial stations that do provide Welsh language programming such as Capital Cymru and Greatest Hits South Wales will continue to provide Welsh language services.”<sup>167</sup>*

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<sup>165</sup> [Exploring the devolution of broadcasting: How can Wales get the media it needs? - Culture, Welsh Language, and Communications Committee](#) - March 2021

<sup>166</sup> [Letter from Sir John Whittingdale MP: Public service broadcasting in Wales](#) - 15 November 2023 [PDF 3 MB]

<sup>167</sup> [Letter from Sir John Whittingdale MP: Public service broadcasting in Wales](#) - 15 November 2023 [PDF 3 MB]

## **Ofcom: “I think everybody, throughout the United Kingdom, would like to see more programmes about them”**

**134.** Ofcom told us that if you asked audiences if they’d like to see more programmes about them and their areas, the answer would be a positive one. We were told that:

*“Representation and portrayal is a real priority for Ofcom, and, actually, we can always see more of it.”<sup>168</sup>*

**135.** On 1 April 2023, 16 members of staff were employed by Ofcom in Cardiff, compared to 68 in Manchester, 13 in Belfast, 68 in Edinburgh and 1,070 in London.<sup>169</sup> When challenges on the lower number of staff based in Wales compared to other nations, while there was more capacity to take people on in Wales, Ofcom were clear:

*“I don't think we measure influence by the number of employees. Ofcom used to be entirely in London, but, over recent years, the policy has been to spread the workforce throughout the nations and regions. The Welsh office is economic, it's effective.”<sup>170</sup>*

## **UK Government: “I think it is something that public service broadcasters need to address”**

**136.** We discussed the paucity of news content about Wales with the Minister. He told us that it is a matter for broadcasters. He added that Ofcom has a duty to ensure that, the BBC for example, are keeping to their charter and providing the relevant content.<sup>171</sup>

**137.** We asked the Minister more broadly about improving media content in Wales. He told us that:

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<sup>168</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 157](#)

<sup>169</sup> [Freedom of information request – information concerning staff employed at Ofcom offices – Ofcom – 17 May 2023](#)

<sup>170</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 4 October 2023 – paragraph 231](#)

<sup>171</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee – 19 October 2023 – paragraph 17](#)

*"I think it is something that public service broadcasters need to address. I think obviously S4C has a particular role in that that is going to be much more focused on content from Wales and in the Welsh language, but that's not to excuse ITV and the BBC, and I think both of them recognise that, but probably could do more. But that is something you have to raise with them."*<sup>172</sup>

## **Independent Commission on the Constitutional Future of Wales**

**138.** The Independent Commission on the Constitutional Future of Wales's final report included discussion of constitutional changes in relation to broadcasting (which is currently a matter reserved to the UK Government).<sup>173</sup> A broadcasting sub-group looked at the issue in detail. The final report recommended that:

*"The Welsh and UK Governments should agree mechanisms for a stronger voice for Wales on broadcasting policy, scrutiny and accountability, and robust work should continue on potential routes to devolution."*<sup>174</sup>

## **Existing governance arrangements**

**139.** While broadcasting is a matter reserved to the UK Government,<sup>175</sup> both the Senedd and the Welsh Government have formal roles in broadcasting governance in Wales.

**140.** With regards to Ofcom, a Memorandum of Understanding exists between the UK Government, Welsh Government, Senedd Cymru and the Office of Communications. This document commits Ofcom to consulting the Welsh Government and Senedd on its draft Plan of Work, sets out the process for Welsh Ministers to appoint a member to the Ofcom Board and outlines that Ofcom will attend meetings of Senedd committees where required.<sup>176</sup>

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<sup>172</sup> [Culture, Communication, Welsh Language, Sport, and International Relations Committee - 19 October 2023 - paragraph 44](#)

<sup>173</sup> [Independent Commission on the Constitutional Future of Wales: final report](#) - 17 January 2024

<sup>174</sup> [Independent Commission on the Constitutional Future of Wales: sub-groups' reports - Broadcasting](#) - 17 January 2024

<sup>175</sup> [Schedule 7A, Government of Wales Act 2006](#)

<sup>176</sup> [Memorandum of Understanding between the UK Government, Welsh Government, Senedd Cymru and the Office of Communications](#)

**141.** There is a similar approach in place for the BBC, whereby there is a Memorandum of Understanding between the UK Government, Welsh Government and BBC.<sup>177</sup> It outlines that the UK Government will consult the Welsh Government throughout the BBC Charter Review, and that the BBC will appear before Senedd committees “on the same basis as it does in the UK Parliament”. In addition, agreement is required between the Welsh Government and the UK Government on the appointment of the BBC Board Member for Wales.<sup>178</sup>

**142.** The Welsh Government told us that it would like to see changes to ensure an “adequate” voice for Wales is heard in decisions related to broadcasting, as well as structures to enhance accountability to Wales. They said that this could take the form of:

*“... a stronger, more formal consent role in all broadcasting appointments affecting Wales, a formal role in reviews and decisions on funding for broadcasters that impact Wales, such as the TV Licence Review and enhanced governance arrangements for broadcasters, for example through a BBC Charter for Wales.”<sup>179</sup>*

## Our View

**143.** We concur with the view of our predecessor Committee that the supply of media content for Wales is inadequate. After completing this inquiry, we are no clearer in our minds as to where the necessary, major improvements will come from.

**144.** Ofcom officials told us that “there's always more than can be done” to improve current provision yet they didn't provide clear examples of where regulation would secure these improvements.

**145.** It is hard to see improvements coming from Ofcom regulation of broadcast media in Wales. We heard that, with no perceived increase in the value of the Channel 3 licence, the next holder of this in Wales will not have any increased public service broadcast obligations placed upon them. Ofcom regulation of the BBC seems to provide a floor that prevents provision for Wales falling, rather than

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<sup>177</sup> [Memorandum of Understanding between the UK Government, Welsh Government and the BBC](#)

<sup>178</sup> [BBC Board Non-Executive Member for Wales](#)

<sup>179</sup> [Letter from the Deputy Minister for Arts, Sport and Tourism: Scrutiny of Public Service Broadcasting](#) - 12 March 2024 [PDF 211 KB]



driving improvements. In addition, what limited powers Ofcom has to enforce Welsh language commitments in commercial radio licences will be removed by the Media Bill.

**146.** It is also hard to see significant improvements coming from the broadcasters themselves. The BBC has made commendable progress in moving production outside of London, and correcting a historic decline in funding English-language content for audiences in Wales. But the broadcaster has been, and continues to be, battling at least a 25 per cent real-terms funding cut in the last decade. We expect that the licence fee uplift next year is also less than the BBC may have hoped for. S4C is admirably active in diversifying its output across digital platforms, but is not properly funded for this work to have the impact it could.

**147.** We were disappointed at the lack of Wales-specific analysis from Ofcom. Senior officials talked about the needs of Welsh audiences in vague generalisations that would apply anywhere across the UK. This lack of insight may be related to the low Ofcom staffing numbers in Wales.

**Recommendation 14.** Ofcom should improve its analysis of media provision in Wales, including by increasing staffing levels in Wales.

**148.** Ultimately, responsibility for driving improvements lies with the UK Government, which designs the broadcasting architecture in the UK. But when asked about the shortage of news content in Wales, the Minister directed the Committee to Ofcom and the broadcasters for answers. The UK Government rejected proposals from our predecessor Committee to legislate to improve news and Welsh language provision on commercial radio.

**149.** The broadcasting landscape has been transformed over recent decades by digital distribution. This has benefited audiences through an increase in choice, whilst disrupting the systems that underpinned public service broadcasting. The need for public service broadcasting, though, has not diminished. New media providers rarely provide content that we would recognise as having public service at its core, but instead provide huge choice within limited range of genres.

**150.** The UK Government's Media Bill will update the regulation of public service broadcasting for the digital age, and this is welcome. Whilst this should put public service broadcasters in a better position to compete in the multi-platform world, this is unlikely to drive significant improvements to current levels of provision for audiences in Wales. We would like to see the UK Government be bolder in driving

improvements for audiences in Wales, recognising the different needs and market conditions across the different nations and regions of the UK.

**Recommendation 15.** The UK Government should set out how it will improve the provision of media content for audiences in Wales.

**151.** We agree with the Independent Commission on the Constitutional Future of Wales that “the Welsh and UK Governments should agree mechanisms for a stronger voice for Wales on broadcasting policy, scrutiny and accountability”.

**152.** We also welcome the availability that the BBC, S4C, ITV and Ofcom have shown to appearing before this Committee.

**153.** When set against the current constitutional backdrop where broadcasting remains a reserved matter, there are limited options available for improving the scrutiny of existing governance arrangements in public service broadcasting in Wales. This does not, however, mean changes cannot be made. We think that the scrutiny of broadcasting and accountability of those tasked with running broadcasting organisations would improve were the Senedd given a role. As such, we recommend that preferred candidates for Wales members of Ofcom and BBC boards should be subject to pre-appointment hearings with the relevant Senedd committee. We also think that the appointment of the Chair of S4C should be a joint appointment between the Welsh and UK governments, with the preferred candidate also being subject to a pre-appointment hearing in front of a Senedd committee.

**Recommendation 16.** The Welsh Government should only agree to appointments to the roles of Ofcom and BBC members for Wales once a Senedd committee has been offered the opportunity to hold a pre-appointment hearing with the preferred candidates.

**Recommendation 17.** The UK Government appointment of the S4C Chair should require the agreement of the Welsh Government. This should be accompanied by offering a Senedd committee the opportunity to hold a pre-appointment hearing with the preferred candidate.

## Annex 1: List of oral evidence sessions.

The following witnesses provided oral evidence to the committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed on the [Committee's website](#).

Date	Name and Organisation
<p><b>4 October 2023</b></p>	<p><b>Rhodri Williams, Chair</b> S4C</p> <p><b>Sian Doyle, Chief Executive</b> S4C</p> <p><b>Lord of Yarmouth Michael Grade, Chair</b> Ofcom</p> <p><b>Siobhan Walsh, Interim Group Director</b> Ofcom</p> <p><b>Eleanor Marks, Director in Wales</b> Ofcom</p>
<p><b>19 October 2023</b></p>	<p><b>The Right Honourable Sir John Whittingdale OBE MP</b> Minister of State for Media, Tourism and Creative Industries</p>
<p><b>16 November 2023</b></p>	<p><b>Tim Davie, Director General</b> BBC</p> <p><b>Dame Elan Closs Stephens, Acting Chair</b> BBC</p> <p><b>Rhuanedd Richards, Director</b> BBC Cymru Wales</p> <p><b>Phil Henfrey, Head of News &amp; Programming</b> ITV Cymru Wales</p> <p><b>Magnus Brooke, Group Director of Strategy, Policy and Regulation</b> ITV</p>