



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Cymunedau, Cydraddoldeb a Llywodraeth Leol The Communities, Equality and Local Government Committee

**Dydd Iau, 27 Mawrth 2014
Thursday, 27 March 2014**

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol **Committee members in attendance**

Leighton Andrews	Llafur Labour
Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Christine Chapman	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Jocelyn Davies	Plaid Cymru The Party of Wales
Janet Finch-Saunders	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Gwyn R. Price	Llafur Labour
Jenny Rathbone	Llafur Labour
Rhodri Glyn Thomas	Plaid Cymru The Party of Wales

Eraill yn bresennol **Others in attendance**

Nick Bennett	Aelod o'r Comisiwn ar Lywodraethu a Darparu Gwasanaethau Cyhoeddus Member of the Commission on Public Service Governance and Delivery
John Davies	Cadeirydd, Pwyllgor Ymgynghorol Ofcom Cymru Chair, Ofcom's Advisory Committee for Wales
Nerys Evans	Aelod o'r Comisiwn ar Lywodraethu a Darparu Gwasanaethau Cyhoeddus Member of the Commission on Public Service Governance and Delivery

Phil Henfrey	Pennaeth Newyddion a Rhaglenni, ITV Cymru Head of News and Programmes, ITV Wales
Huw Jones	Cadeirydd, S4C Chairman, S4C
Ian Jones	Prif Weithredwr, S4C Chief Executive, S4C
Glyn Mathias	Aelod o'r Bwrdd Cynnwys yng Nghymru, Ofcom Content Board Member for Wales, Ofcom
Garry Owen	Aelod o'r Comisiwn ar Lywodraethu a Darparu Gwasanaethau Cyhoeddus Member of the Commission on Public Service Governance and Delivery
Huw Rossiter	Rheolwr Materion Cyhoeddus, ITV Cymru Public Affairs Manager, ITV Wales
James Thickett	Cyfarwyddwr Gwledydd a Datblygiadau'r Farchnad, Ofcom Director of Nations and Market Developments, Ofcom
Syr/Sir Paul Williams	Cadeirydd y Comisiwn ar Lywodraethu a Darparu Gwasanaethau Cyhoeddus Chair of the Commission on Public Service Governance and Delivery
Rhodri Williams	Cyfarwyddwr, Cymru, Ofcom Director, Wales, Ofcom

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Sarah Beasley	Clerc Clerc
Leanne Hatcher	Dirprwy Glerc Deputy Clerk
Rhys Iorwerth	Y Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 08:58.
The meeting began at 08:58.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Christine Chapman:** Bore da and welcome to the National Assembly for Wales's Communities, Equality and Local Government Committee. I will just remind Members and witnesses that if they have any mobile phones, they need to be switched off as they affect the transmission. We have not had any apologies this morning.

08:59

Sesiwn Ddilynol gyda S4C ynghylch y Rhagolygon ar gyfer Dyfodol y Cyfryngau yng Nghymru

The Future Outlook for the Media in Wales: Follow-up Session with S4C

[2] **Christine Chapman:** By way of context, I will remind Members that, in May 2012, there was a task and finish group set up by this committee and that group published a report on the future outlook for the media in Wales. Today's sessions are an opportunity for the committee to follow up on the developments since the report was published.

[3] I would like to give a warm welcome to S4C. I welcome Huw Jones, the chairman, and Ian Jones, the chief executive. Welcome to you both. You have sent the Members a paper, which they have read very carefully. If you are happy, we will go straight into questions.

09:00

[4] I will start off. I know that there was a 36% budget reduction in real terms since 2010. Can you tell me your thoughts on the overall impact of that on S4C's activities?

[5] **Mr H. Jones:** Rwy'n croesawu'r cyfle i roi tystiolaeth i'r pwyllgor hwn. Rydym i gyd yn gwybod nad yw darlledu wedi cael ei ddatganoli, ond mae cymaint o feysydd lle mae'n hamcanion ni'n cyd-redeg â meysydd polisi'r Cynulliad—iaith, economi, addysg a diwylliant. Mae'n bwysig bod y patrwm hwn yn cael ei sefydlu. Rydym yn ddiolchgar am y cyfle. Efallai y gwnaiff Ian ateb y cwestiwn am impact uniongyrchol yr arian.

Mr H. Jones: I welcome the opportunity to give evidence to this committee. We all know that broadcasting is non-devolved, but there are so many areas where our objectives run alongside the policy areas of the Assembly—language, economy, education and culture. It is important that this pattern is established. We are grateful for the opportunity. Perhaps Ian can answer the question about the direct impact.

[6] **Mr I. Jones:** Yn Neddff Cyrff Cyhoeddus 2011, mae dyletswydd statudol ar ysgwyddau'r Ysgrifennydd Gwladol i sicrhau arian digonol i S4C. Mae 'arian digonol' yn bwnc pwysig—efallai y pwnc pwysicaf i ni wrth symud tuag at y dyfodol. Mae gennym arian o'r BBC. Mae 90% yn dod o'r BBC, o dan drwydded y BBC, tan Ebrill 2017 ac mae 10% yn dod o'r Llywodraeth ganolog tan Ebrill 2016. Ar hyn o bryd, rydym yn paratoi lot o waith, a fydd yn cael ei gyhoeddi yn yr wythnosau nesaf, sy'n dangos beth rydym yn teimlo sy'n arian digonol.

Mr I. Jones: There is a statutory duty, in the Public Bodies Act 2011, on the Secretary of State's shoulders to ensure sufficient funding for S4C. 'Sufficient funding' is an important subject—perhaps the most important subject for us in moving towards the future. We have money from the BBC. Some 90% comes from the BBC, under the licence fee, until April 2017 and 10% comes from central Government until April 2016. At the moment, we are preparing a lot of work, which will be published in the next few weeks, that shows what we feel is sufficient funding.

[7] O ran y 36%, yr hyn y mae'r toriad o In terms of the 36%, what the reduction of

36% dros bedair blynedd wedi ei olygu yw ein bod wedi gorfod torri i lawr ar staff. Ar ei anterth, roedd gan S4C o gwmpas 200 o staff. Rydym wedi torri staff i lawr yn agos at 125. Rydym wedi torri costau'r awr ein rhaglenni. Rydym wedi sicrhau, hyd yn hyn, nad yw'r arlwy sydd ar y sgrîn wedi newid. Rydym wedi gwarchod hynny, er bod y gyllideb rhaglenni wedi gostwng o £83 miliwn i £65 miliwn.

[8] I fod yn glir ynglŷn â faint o arian rydym yn cael ar hyn o bryd gan y BBC, eleni, rydym yn cael £76 miliwn, ond, uwchben y toriad o 36%, mae toriadau pellach: o dan ein cytundeb gyda'r BBC, mae toriad o 1% eleni ac 1% y flwyddyn nesaf. Mae toriadau sylweddol wedi bod. Rwy'n teimlo'n gryf ar hyn o bryd ein bod wedi torri popeth y gallem fod wedi'i dorri. Mae impact sylweddol wedi bod ar y sector breifat, y sector annibynnol, ac mae impact sylweddol wedi bod yn fewnol yn S4C. Ond, rydym wedi llwyddo i warchod beth sydd ar y sgrîn. Os oes toriadau pellach, ni fyddwn yn gallu gwarchod beth sydd ar y sgrîn.

[9] **Mr H. Jones:** Un ychwanegiad sydd angen ei nodi yw ein bod, fel rhan o'r ymdrech i ffeindio arbedion, wedi gorfod torri'r gwasanaeth clirlun, sef manylder uwch, a oedd yn cael ei ddarparu ar deledu daearol. Mae'n uchelgais gennym i ailgyflwyno gwasanaeth HD cyn gynted ag y gallwn ar loeren ac ar blatfformau eraill. Mae hynny'n enghraifft o'r angen i ffeindio arbedion sylweddol ac mae'n golled ein bod wedi gorfod gwneud hynny.

[10] **Christine Chapman:** On the HD provision, it is welcome that that will be restored. Are there any thoughts on timescales? You said as soon as possible.

[11] **Mr I. Jones:** Liciwn i fynd yn ôl un cam gyda HD. Y rheswm gorfodwyd i ni dorri yn ôl oedd y 36% o doriad yn ein cyllid, ond roedd yn seiliedig ar y ffaith bod nifer y bobl â bocsys Freeview HD yng Nghymru yn

36% over four years has meant is that we have had to cut staff numbers. At its height, S4C had around 200 staff. We have cut it down to nearer 125 members of staff. We have cut the cost per hour of our programmes. We have ensured, so far, that what is on the screen has not changed. We have safeguarded that, even though the programme budget has been reduced from £83 million to £65 million.

To be clear on how much money we receive from the BBC at the moment, this year, we have £76 million, but, on top of the 36% reduction, there are further cuts: under our agreement with the BBC, there is a cut of 1% this year and 1% next year. There have been substantial cuts. I feel strongly at the moment that we have cut everything that we could have cut. There has been substantial impact on the private sector, the independent sector, and a substantial impact internally at S4C. However, we have succeeded in safeguarding what is on screen. If there are to be further cuts, we will not be able to safeguard the content on the screen.

Mr H. Jones: One addition that should be noted is that, as part of the effort to find savings, we have had to cut the high definition service, which was provided on terrestrial television. It is our ambition to reintroduce a HD service as soon as we can on satellite and other platforms. That was an example of the need to find substantial savings and it was a loss that we had to make that cut.

Mr I. Jones: I would like to go back one step with HD. The reason why we were forced to cut back was the 36% reduction in funding, but it was based on the fact that the number of people with Freeview HD boxes in Wales

fach iawn. Tynnom ni fe *off* oherwydd hynny. Nid oeddem yn teimlo ei fod yn cynnig gwerth ariannol i'n cynulleidfa ni, ond roedden ni wastad yn bwriadu mynd yn ôl. Rydyn ni'n gobeithio mynd yn ôl ar HD lloeren, yn amodol ar gytundeb ac yn amodol ar gwblhau trafodaethau, rhywbryd yn 2016. Os gallwn ni fforddio gwneud hynny, gwnawn ni hynny cyn 2016. Er mwyn sicrhau hynny, mae'n rhaid i mi ddod o hyd i'r arian yn fewnol i'n galluogi ni i wneud hynny, ac mae'r gost yn fwy na £1 miliwn y flwyddyn. Felly, mae'n rhaid i mi edrych am arbedion ychwanegol o £1 miliwn er mwyn ein galluogi ni i fynd yn ôl ar HD yn 2016.

was very small. We took it away because of that. We felt that it was not providing value for money to our audience, but we were always intending to go back. We are hoping to bring back satellite HD, conditional on an agreement and on completing discussions, sometime in 2016. If we can afford to do so, we will do that before 2016. In order to do that, I have to find the money internally to enable us to do so, and the cost is more than £1 million a year. Therefore, I have to look for additional savings of £1 million to enable us to go back on HD in 2016.

[12] **Christine Chapman:** Gwyn Price has a question. Then, I know that Leighton and Rhodri want to come in.

[13] **Gwyn R. Price:** Good morning. Could you tell me what steps you are taking to make sure that you get additional funding in through commercial enterprises and through going out to the commercial market?

[14] **Mr I. Jones:** I will respond to that in English. Our funding at the moment is 90% from the BBC under the licence fee and it is approximately 8% or 9% from the Department for Culture, Media and Sport and central Government. The gap, which is around 1.5% to 2%, currently comes from commercial revenue. That is made up of advertising sales and other commercial investments. Alongside the public service fund at S4C, we have a commercial fund and a commercial company. We are looking at investing in a wide range of things over a period of time. Within that company, there is a specific fund for investment in apps and all things digital. There is also a fund for co-productions. Co-productions are television programmes that you produce with other companies or other countries and are sold throughout the world. We are expecting revenue from those investments to come in over a five to 15-year period. We are looking at a wide range of commercial activities at the moment. We have recently, through that commercial fund, invested in a number of initiatives. One of those initiatives is called OobEdoO, which was launched this week. It is a very safe and dedicated kids' portal, which can be accessed by kids and parents via the iPad.

[15] **Leighton Andrews:** Rydych wedi sôn am gyfrifoldeb yr Ysgrifennydd Gwladol o ran sefydlu a oes gennych ddigon o arian. A yw'r Llywodraeth yn Llundain wedi cynnal adolygiad ar y pwnc?

Leighton Andrews: You have mentioned the responsibility of the Secretary of State to establish whether or not you have sufficient funding. Has the Government in London undertaken a review on the subject?

[16] **Mr H. Jones:** Na, nid oes adolygiad wedi'i gynnal eto. Mae yna ddamcaniaeth bod adolygiad i fod i ddigwydd cyn bod y

Mr H. Jones: No, there has been no review as of yet. There is an assumption that a review should take place before the

drafodaeth am siarter newydd y BBC yn dod i ben, oherwydd ar hyn o bryd, mae'n amlwg mai dyna yw ffynhonnell fwyaf yr arian. Rydym yn awyddus bod adolygiad yn digwydd, fel ein bod ni'n cael cyfle i gyflwyno'r achos am beth yw arian digonol S4C. Byddwn ni, mae'n debyg, yn ystod yr wythnosau nesaf, yn mynd ati i gyhoeddi dogfen a fydd yn rhoi ein hachos ni, gan obeithio y bydd hynny yn bwydo i mewn, maes o law, i unrhyw adolygiad a fydd yn cael ei gynnal gan y Llywodraeth.

[17] **Leighton Andrews:** A yw'r Llywodraeth yn Llundain wedi dweud wrthy ch ei bod yn bwriadu cynnal adolygiad?

[18] **Mr H. Jones:** Ein dealltwriaeth ni yw bod adolygiad i fod i ddigwydd. Nid oes amserlen wedi ei gosod eto.

[19] **Rhodri Glyn Thomas:** A gaf gyfeirio at un o'm hoff bynciau? Nid trwydded y BBC yw'r drwydded, ond trwydded darlledu cyhoeddus. Yn draddodiadol, mae wedi mynd i'r BBC, ond nid oes rheswm i ffi'r drwydded yn ei chyfanwydd bob amser fynd i'r BBC. Roeddwn i am ofyn cwestiwn penodol ynglŷn â'r gwasanaeth HD—Clirlun. A oes unrhyw dystiolaeth bod nifer y gwylwyr ar gyfer rhaglenni chwaraeon yn gostwng oherwydd nad oes gan S4C y gwasanaeth hwnnw ar hyn o bryd?

[20] **Mr I. Jones:** Ni allaf ateb hynny'n benodol. Nid wyf yn gwybod a oes dystiolaeth yn benodol ar gyfer chwaraeon, ond mae dystiolaeth sy'n nodi, pan fo gan gwmnïau darlledu sianeli *plus one* neu sianeli clirlun ochr yn ochr â sianeli SD, bod ychydig yn fwy o wylwyr yn gwylio'r rhaglenni.

[21] **Rhodri Glyn Thomas:** Roddwn yn meddwl yn benodol am gemau rygbi rhyngwladol, lle mae gan bobl ddewis naill ai

discussion on charter renewal concludes, because clearly that is the source of the majority of our funding. We are eager that there should be a review so that we have an opportunity to make the case for sufficient funding and what that would amount to. I would assume that, over the next few weeks, we will publish a document that sets out our case, in the hope that that will feed in, in due course, to any review held by the Government.

Leighton Andrews: Has the Government in London told you that it is planning to carry out a review?

Mr H. Jones: Our understanding is that a review is due to happen. No timetable has been set to date.

Rhodri Glyn Thomas: May I refer to one of my favourite subjects? The licence is not the BBC's licence, but a public service broadcasting licence. Traditionally, it has gone to the BBC, but there is no reason for the licence fee always to go to the BBC. I want to ask a specific question about the HD service—Clirlun. Is there any evidence that the number of people watching sports programmes has reduced because S4C does not have that service at the moment?

Mr I. Jones: I cannot answer that specifically. I do not know if there is specific evidence covering sport, but there is evidence that, when broadcasters have plus one channels or HD channels running alongside SD channels, viewing figures are a little higher.

Rhodri Glyn Thomas: I was thinking specifically of international rugby matches, where people have the choice of watching the

i ddilyn y gêm ar S4C neu i gael clirlun ar y BBC. Fy nhybiaeth i—nid oes gennyf dytiolaeth—yw bod llawer o bobl yn trosglwyddo i'r clirlun er mwyn cael gwell ansawdd llun o'r gêm.

match on S4C or to watch in HD on BBC. My view—I have no evidence—is that many people watch in HD in order to get a better quality picture.

[22] **Mr I. Jones:** Nid wyf yn credu bod gennym dystiolaeth bendant ynghylch chwaraeon, ond, yn gyffredinol, pan fydd gan rywun sianel HD neu glirlun, mae mwy o wylwyr yn dod i wyltio.

Mr I. Jones: I do not think that we have any specific evidence on sport, but, generally speaking, when broadcasters have HD provision, you find that there are greater viewer numbers.

[23] **Mr H. Jones:** Yn y dyfodol, bydd clirlun a HD yn norm, fwyfwy felly, dros gyfnod o amser. Yn amlwg, dyna pam ein bod yn gobeithio mynd yn ôl i hynny ar loeren.

Mr H. Jones: In the future, HD will increasingly become the norm, over a period of time. Clearly, that is why we hope to go back to that on satellite.

[24] **Peter Black:** Following on from Leighton's question, what is the current nature of the relationship between S4C and DCMS?

[25] **Mr H. Jones:** The relationship with DCMS is good. At the moment, we are, for example, working closely with it on new appointments to the S4C Authority. We were visited by the Secretary of State, Maria Miller, last year. That was a warm meeting. She visited us at Llanishen. It is our intention to continue to develop that relationship, particularly as they go into the discussions relating to the funding of public broadcasting in general.

[26] **Mr I. Jones:** We also have regular interactions with officials. I have met the Permanent Secretary, Sue Owen, on several occasions, just to brief here on developments at S4C.

[27] **Peter Black:** There was a feeling, when the initial cuts were made to S4C's budget, back in 2010-11, that DCMS did not fully understand the context in which S4C was created and operated. Do you think that that has improved?

[28] **Mr H. Jones:** I would not like to comment on how things were before I was in the chair. However, speaking from personal experience, we have a positive relationship. We have officers at different levels who have shown an interest in what we do and in the challenges that we face.

[29] **Peter Black:** Moving on, in terms of the Silk commission's recommendations, it has been suggested that the responsibility for S4C, including the relevant funding, should be transferred from DCMS to the Welsh Government. Is that a position that you would support?

[30] **Mr H. Jones:** We want to develop, in the current situation, a good working relationship with all the bodies that have an interest in our future. It is clearly a matter for policy makers to decide on where accountability should lie. Our contribution to this debate

will be very much around the question of funding, and the key question of how does one secure sufficient funding to allow us to provide the high-quality service that Welsh speakers and the people of Wales in general deserve. The question is very much around, if proposals are made to change the formal accountability, and the place from which the funding comes, what security is there of that funding for the future. One can understand the arguments about a closer relationship with the National Assembly, but we will always put on the table the question of: how can this move, positive in whatever direction, also ensure that funding? Without the funding, our ability to achieve the objectives that I am sure the National Assembly wants us to achieve, will be undermined.

[31] **Peter Black:** The key factor for you is security of funding, and if the Welsh Government does not have that capacity, you would rather stay with DCMS, depending on the various factors involved in that. What is your opinion about a halfway house, and the suggestion that the Welsh Government should have greater influence on the appointment of S4C Authority members?

[32] **Mr H. Jones:** The one thing that needs to be said here is that the Welsh Government is consulted on all appointments to the S4C Authority. At the moment, for example, there is a process being undertaken to appoint three new members to the authority. There is a Welsh Government representative on the advisory panel, which will be interviewing the applicants, and the Secretary of State at DCMS will consult with the Welsh Government in making those appointments. Whether that should be strengthened is a matter for debate. All I can say is, from my experience, at the moment, there is consultation and it seems to be on an amicable basis.

09:15

[33] **Leighton Andrews:** Yn yr Alban, mae'r cyfrifoldeb ar gyfer ariannu darlledu Gaeleg gan Lywodraeth yr Alban. A ydych yn meddwl y bydd y sefyllfa yng Nghymru yn newid yn y dyfodol? **Leighton Andrews:** In Scotland, the responsibility for funding Gaelic broadcasting lies with the Scottish Government. Do you think that the situation in Wales will change in the future?

[34] **Mr H. Jones:** Mae i fyny i wneuthurwyr polisi. Y cyfan rydym ni'n gallu ei ddweud yw bod y sefyllfa yn yr Alban yn draddodiadol wedi bod yn wahanol. Mae S4C, i ryw raddau, yn ffodus bod y cyfrifoldeb am ddarlledu yn yr iaith Gymraeg wedi cael ei ysgwyddo gan y Llywodraeth ganolog, ynghyd â'r cyfrifoldeb ariannol sy'n mynd gyda hynny. Mae'r Alban wedi cychwyn o fan gwahanol ac mae mewn lle gwahanol ar hyn o bryd. Ein dyletswydd ni, rwy'n meddwl, yw ceisio sicrhau, beth bynnag fo'r trefniadau gwleidyddol, bod y cyllid yn ddigonol. **Mr H. Jones:** That is a matter for policy makers. All that we can say is that the situation in Scotland has traditionally been different. S4C, to a certain extent, is fortunate that the responsibility for Welsh-medium broadcasting has been shouldered by central Government, along with the financial responsibility. Scotland has started from a different point and is at a different point at present. Our duty, I think, is to endeavour to ensure that, whatever the political arrangements, the funding is sufficient.

[35] **Jocelyn Davies:** Often, with the BBC, the UK Government complains about the content of the output—if it is critical of UK Government. Would you worry that, if your funding came from the Welsh Government, you might be subject to pressure about the content, because it would be much closer to home?

[36] **Mr H. Jones:** Rwy'n meddwl ei bod yn ddyletswydd ar bob darlledwr cyhoeddus i sicrhau annibyniaeth lwyr o ran materion golygyddol. Felly, beth bynnag yw ffynhonnell y cyllid, byddai'n rhaid bod yn glir mai dyna yw'r realiti.

Mr H. Jones: I think that every public broadcaster is duty bound to ensure full editorial independence. Therefore, whatever the source of funding, it would have to be clear that that is the reality.

[37] O gael trefniant priodol, lle mae'n glir bod unrhyw arian yn cael ei ddefnyddio i bwrpasau statudol S4C, nid oes rheswm bod unrhyw drefniant ariannol yn dwyn pwysau mwy na'i gilydd. Felly, rwy'n meddwl ein bod yn niwtral ar y cwestiwn hwn, ac rwy'n dod yn ôl, fel o'r blaen, at gwestiwn arian digonol. Dyna'r hyn rydym yn chwilio amdano.

In having an appropriate arrangement in place, where it is clear that any funding is used for S4C's statutory purposes, there is no reason why one financial arrangement should bring any greater pressure than any other. So, I think that we are neutral on this question, and I return again to the issue of sufficient funding. That is what we are seeking.

[38] **Rhodri Glyn Thomas:** A gaf i ddilyn ar y cwestiynau gan Leighton a Jocelyn? A yw'r berthynas sy'n datblygu rhwng S4C a'r BBC yng Nghymru yn golygu bod y ddadl ynglŷn â datganoli cyfrifoldeb am S4C yn mynd yn amherthnasol? Mae'r unig ddadl y gallwn ni ei chael bellach yn ymwneud â datganoli darlledu yn ei gyfanrwydd i Gymru. Byddai'n sefyllfa ryfedd, o ystyried y berthynas newydd hon, pe bai gan Lywodraeth Cymru gyfrifoldeb uniongyrchol am S4C a bod y cyfrifoldeb am y BBC yn dal i orffwys yn San Steffan.

Rhodri Glyn Thomas: May I follow on from the questions asked by Leighton and Jocelyn? Does the emerging relationship between S4C and the BBC in Wales mean that the debate about devolving responsibility for S4C becomes irrelevant? The only debate that we can have now is about devolving broadcasting as a whole to Wales. It would be strange, given this new relationship, for the Welsh Government to have direct responsibility for S4C while responsibility for the BBC remained in Westminster.

[39] **Mr H. Jones:** Rwy'n meddwl mai'r pwynt synnwyr cyffredin sydd angen ei wneud ynglŷn â hynny yw bod gallu Llywodraeth San Steffan i greu sefyllfa lle mae ariannu S4C drwy drwydded yn ddigonol efallai yn gryfach na gallu Llywodraeth Cymru i sicrhau hynny. Mae hynny'n un o'r rhesymau pam ein bod yn awyddus i'r drafodaeth am ddyfodol ariannu S4C a'r arian sy'n dod o'r drwydded gael ei thaclo yn y drafodaeth yn fwy cyffredinol

Mr H. Jones: I think that the common sense point that needs to be made here is that the ability of the Westminster Government to create a situation whereby the funding of S4C through the licence fee is sufficient is perhaps stronger than that of the Welsh Government. That is one of the reasons why we are eager for the discussion on future funding of S4C and the funding provided through the licence fee to be dealt with in the more general debate on the BBC's charter.

ynglŷn â siarter y BBC.

[40] Beth sydd yn hanfodol yw bod S4C ac Awdurdod S4C yn parhau i fodoli fel corff annibynnol sydd â'r cyfrifoldeb penodol o ddarparu gwasanaeth Cymraeg digonol ar gyfer pobl Cymru, a bod gennym y rhyddid gweithredol i wneud ein penderfyniadau gweithredol a golygyddol ein hunain. Dyna'r ddau begwn, os liciwch chi, rydym yn chwilio amdanynt drwy'r amser ym mhob trafodaeth: arian digonol a rhyddid gweithredol a golygyddol.

[41] O sicrhau hynny, mae'r posibilïadau o gydweithio ac o ddod i drefniant gydag Ymddiriedolaeth y BBC yn real ac rydym wedi profi llwyddiant yn hynny o beth drwy weithio'n agos gydag Ymddiriedolaeth y BBC dros y tair blynedd diwethaf. Byddwn yn sôn, efallai, yn nes ymlaen, ynglŷn â'r bartneriaeth ffrwythlon hon gyda'r BBC. Mae'r bartneriaeth honno yn seiliedig ar y ffaith bod yna gytundeb, a hwnnw'n gytundeb cadarn, sydd wedi ei arwyddo gennym ni, DCMS a'r BBC yn ôl yn 2011, ac wedyn y cytundeb gweithredol a arwyddwyd gydag Ymddiriedolaeth y BBC, sydd yn diffinio i ba bwrpasau mae'r arian rydym ni'n ei dderbyn yn cael ei ddefnyddio. Cafodd hwnnw ei arwyddo yn 2013, ac mae'n para tan 2017. Mae'r cytundebau hynny yn gadarn ac yn rhoi lle i ni symud ymlaen, ond maent yn dod i ben. Mae'r cytundeb gweithredol yn dod i ben yn 2017.

[42] **Rhodri Glyn Thomas:** Symudwn ni at y berthynas ffrwythlon hon rydych yn cyfeirio ati gyda'r BBC. Rydych chi eisioes wedi nodi bod y siarter i'w hadnewyddu yn 2017. Mae hi'n berthynas ddiddorol, anturus, cyffrous a ffrwythlon, yn eich geiriau chi. Mae hefyd yn berthynas heriol i S4C. A oes gennych chi bryderon am y berthynas hon gyda'r BBC?

[43] **Mr H. Jones:** Y pryder sylfaenol

What is crucially important is that S4C and the S4C Authority continues to exist in its independent form with specific responsibility for providing a sufficient Welsh-medium service for the people of Wales, and that we have the operational freedom to make our own operational and editorial decisions. Those are the two extremes, if you like, that we are seeking constantly in all discussions: sufficient funding and operational and editorial freedom.

In ensuring those two things, the possibilities of collaboration and coming to an arrangement with the BBC and the BBC Trust are very real and we have had some success in that regard in working closely with the BBC Trust over the last three years. We might, later on, come on to the issue of this fruitful partnership with the BBC. That partnership is based on the fact that there is an agreement, and a robust agreement, signed by us, DCMS and the BBC back in 2011, and then there is the operational agreement that was signed with the BBC Trust, which defines for what purposes the funding that we receive is used. That was signed off in 2013, and it remains in place until 2017. Those agreements are robust and give us scope to move forward, but they will come to an end. The operational agreement comes to an end in 2017.

Rhodri Glyn Thomas: Moving to this fruitful relationship that you refer to with the BBC, you have already noted that the charter will be renewed in 2017. It is a relationship that is interesting, adventurous, exciting and fruitful, in your words. It is also a challenging relationship for S4C. Do you have concerns about this relationship with the BBC?

Mr H. Jones: The fundamental concern is

ydy bod y cytundeb hwn yn dod i ben yn 2017, felly, mae hi'n hollbwysig bod yna ddealltwriaeth glir a chadarn ynglŷn â'r hyn sydd i fod i ddiwydd ar ôl 2017. Efallai y gwnaiff Ian sôn am, yn ymarferol, sut mae hynny'n gweithio.

[44] **Mr I. Jones:** Mae'r bartneriaeth rhwng swyddogion y BBC yng Nghymru a swyddogion S4C yn un da iawn ar hyn o bryd. Rydym ni'n cydweithio ar draws ystod eang o bethau ac un o'r meysydd rydym ni wedi bod yn cydweithio arnynt yw cydgyhyrchu. Mae *Y Gwyll* neu *Hinterland*, sef cyfres dditectif a gafodd ei dangos ar S4C cyn y Nadolig yn adlewyrchiad o hynny. Comisiwn gan S4C yw *Y Gwyll* neu *Hinterland*, rhagwerthwyd yr hawliau darlledu i BBC4 ac fe rhagbrynwyd y rhaglenni gan BBC Cymru. Roedd honno'n bartneriaeth eang iawn. Roedd yn bartneriaeth hefyd rhwng ffynhonnell arian o fewn Llywodraeth Cymru a'r *MEDIA fund* yn Ewrop. Cafodd ei werthu i DR cyn iddo gael ei gynhyrchu. DR yw cynhyrchydd *Borgen* a *The Killing*. Felly, mae hwnnw'n un enghraifft.

[45] Rydym ni wedi bod yn cydweithio'n agos iawn gyda Radio Cymru. Rydym ni'n datblygu nifer o bethau ar y cyd. Un maes rydym ni'n datblygu yw *sitcom* ac rydym yn edrych ar ei ddatblygu ar Radio Cymru a hefyd ar S4C.

[46] Mae gennym ni fwrdd partneriaeth ar y cyd, sydd yn cwrdd yn fisol, gyda'r BBC. Mae'r bwrdd hwn a'i gylch gorchwyl wedi eu gosod allan yn y cytundeb rhwng yr ymddiriedolaeth ac Awdurdod S4C. Rôl y bwrdd yw edrych ar feysydd o gydweithio ac edrych ar ble gallwn ni ddarparu mwy o werth i'r cyhoedd neu'r gynulleidfa, ac rydym ni'n trafod lot o bethau yn y bwrdd hwnnw. Un peth sydd wedi dod allan o'r bwrdd yw trafodaeth ynglŷn â chydleoli elfennau o weithgareddau S4C gyda'r BBC

that this agreement comes to an end in 2017, so it is crucial that there should be a clear and robust understanding as to what is to happen post 2017. Perhaps Ian could talk about the practicalities of how that will work.

Mr I. Jones: The partnership between BBC officials in Wales and S4C officials is a very good one at the moment. We collaborate across a wide range of things, and one of the areas that we have been collaborating on is co-productions. *Y Gwyll* or *Hinterland*, which is a detective series that aired on S4C before Christmas is a reflection of that. *Y Gwyll* or *Hinterland* was commissioned by S4C, the broadcasting rights were presold to BBC4 and the programmes were pre-purchased by BBC Wales. That was a very wide-ranging partnership. It was also a partnership between funding sources from within the Welsh Government and the European MEDIA fund. It was sold to DR before it was produced. DR is the producer of *Borgen* and *The Killing*. So, that is one example.

We have been collaborating very closely with Radio Cymru. We are developing a number of things jointly. One area that we are developing is a sitcom, and we are looking at developing that on Radio Cymru and also on S4C.

We have a joint partnership board, which meets on a monthly basis, with the BBC. This board and its remit have been set out in the agreement between the trust and the S4C Authority. The role of the board is to look at areas of possible collaboration and to look at where we can provide more value to the public or the audience, and we are discussing many things on the board. One thing that has come out of the board is a discussion on the co-location of elements of S4C's activities with the BBC in a new centre post 2018.

mewn canolfan newydd wedi 2018.

[47] Fodd bynnag, i fynd yn ôl at yr hyn a ddywedodd y cadeirydd am arian digonol, mae arian y BBC yno tan Ebrill 2017. Dyna'r peth pwysicaf neu un o'r ddau beth pwysicaf i ni wrth symud ymlaen, sef arian digonol, o'r BBC neu pa ffynhonnell bynnag, ac yn ail ein bod yn sicrhau ein bod yn annibynnol. Er ein bod yn cydweithio'n agos iawn gyda'r BBC ar draws popeth, rwy'n meddwl bod yn rhaid i ni, o ran ein dyfodol, fod yn annibynnol yn weithredol, yn annibynnol yn olygyddol ac yn annibynnol o ran rheoli.

[48] **Mr H. Jones:** Mae'n werth nodi hefyd fod ymddiriedolwr y BBC dros Gymru, Elan Closs Stephens, hefyd nawr yn aelod o Awdurdod S4C, ac mae'r bartneriaeth ar y lefel honno yn gweithio yn hynod o dda. Mae hi'n dod â dealltwriaeth o'r ddau gorff at ei gilydd, fel bod dealltwriaeth barhaol ynglŷn â'r hyn sydd yn effeithio ar y naill gorff a'r llall.

[49] **Rhodri Glyn Thomas:** Rydych chi wedi cyfeirio, fwy nac unwaith, at y sefyllfa a fydd yn eich wynebu yn 2017 a'r angen am sicrwydd ariannol, ond mae Teledwyr Annibynnol Cymru yn codi pryderon ynglŷn â'r sefyllfa, oherwydd mae'n nodi, yn ymarferol, y gallai Ymddiriedolaeth y BBC ddod â chyllid S4C i ben yn gyfan gwbl yn 2017. Mae'r ymddiriedolaeth yn gorff sy'n bodoli yn Llundain; nid wyf yn gwybod beth yw ymwybyddiaeth yr ymddiriedolaeth o ddarlledu yng Nghymru a darlledu drwy gyfrwng y Gymraeg. A yw'r ffaith bod eich tynged ariannol chi yn nwylo'r ymddiriedolaeth yn eich poeni chi?

[50] **Mr H. Jones:** Wrth gwrs, nid yw'r siarter newydd wedi cael ei chytuno eto, felly nid oes hyd yn oed sicrwydd—rydym yn sôn am ansicrwydd—y bydd Ymddiriedolaeth y BBC yn parhau tu hwnt i 2017. Felly, mae'n deg i ddweud bod pob peth i'w drafod ynglŷn

However, to go back to what the chair said about sufficient funding, the BBC funding is there until April 2017. That is the most important thing or one of the two most important things for us in moving forward, namely sufficient funding, from the BBC or from whatever source, and, secondly, that we ensure we are independent. Even though we collaborate very closely with the BBC across everything, I think that we need, in terms of our future, to be independent operationally, editorially and in terms of management.

Mr H. Jones: It is also worth noting that the BBC trustee for Wales, Elan Closs Stephens, is also now a member of the S4C Authority, and the partnership on that level works extremely well. She brings together an understanding of both bodies, so that there is an ongoing understanding of what affects both bodies.

Rhodri Glyn Thomas: You have referred, more than once, to the situation that will face you in 2017 and the need for financial certainty, but the independent television producers, TAC, raises concerns about the situation, because it notes that, in practice, the BBC Trust could withdraw S4C's funding altogether in 2017. The trust is a body that exists in London; I do not know the level of awareness in the trust in relation to broadcasting in Wales and broadcasting through the medium of Welsh. Does the fact that the future of your finances is in the hands of the trust worry you?

Mr H. Jones: Of course, the new charter has yet to be agreed, so there is no certainty—we are talking about uncertainty—that the BBC Trust will continue beyond 2017. So, it is fair to say that everything is up for discussion on these issues between now and when the new

a'r materion hyn rhwng nawr a chychwyn y regime is put in place.
drefn newydd.

[51] Yr hyn sy'n wir yw, pe bawn yn cyrraedd Ebrill 2017 a phe na bai dealltwriaeth glir a chytundeb hirdymor i sicrhau arian digonol i S4C wedi ei lunio ymlaen llaw, yna gallai'r sefyllfa rydych wedi ei ddisgrifio bodoli. Yr hyn sy'n sylfaenol yn achos S4C yw'r ddyletswydd sydd ar ysgwyddau'r Ysgrifennydd Gwladol i sicrhau arian digonol i S4C. Felly, pe bai, yn ddamcaniaethol, Ymddiriedolaeth y BBC yn dal mewn bodolaeth yn 2017, a bod dim sicrwydd o'r ochr hwnnw, byddai'r ddyletswydd yn disgyn yn ôl ar ysgwyddau'r Ysgrifennydd Gwladol y DCMS i sicrhau arian digonol. Nid wyf yn meddwl y byddwn yn dymuno bod yn y sefyllfa honno, o wybod beth yw'r sefyllfa ariannol yn gyffredinol ar hyn o bryd. Byddwn felly yn dymuno sicrhau bod dealltwriaeth glir, gytundebol ym mhell cyn hynny.

[52] **Mr I. Jones:** Hoffwn ychwanegu at hynny. O ran y broses o adnewyddu siarter y BBC, mae'n hanfodol bod gennym lais yn y broses honno, bod y llais hwnnw'n glir, a bod darpariaeth yn y siarter newydd ar gyfer S4C.

[53] **Rhodri Glyn Thomas:** Gall brosiect Llywodraeth y Deyrnas Unedig o ran newid yr undeb arwain at sefyllfa lle fyddai angen i S4C gystadlu a'r BBC am gyllid. Sut y byddai hynny'n effeithio ar eich perthynas chi, sydd, ar hyn o bryd, yn eich geiriau chi, yn ffrwythlon? A fyddai cystadlu gyda'r BBC yn rhoi unrhyw fath o bwysau ar y berthynas honno neu achosi unrhyw fath o dyndra?

[54] **Mr H. Jones:** Prosiect newid yr undeb—

[55] **Rhodri Glyn Thomas:** *The changing union*, sef prosiect Llywodraeth y Deyrnas Unedig.

What is true is that, if we were to reach April 2017 and there were no clear understanding and a long-term agreement to ensure adequate funding for S4C drawn up beforehand, then the situation that you have described could exist. What is fundamental to S4C is the duty placed upon the Secretary of State to ensure sufficient funding for S4C. Therefore, if, hypothetically, the BBC Trust were still in existence in 2017, and there were no assurances from that side, then the duty would revert to the Secretary of State in the DCMS to ensure sufficient funding. I do not think that we would want to find ourselves in that situation, knowing what the general financial situation is at present. We would therefore want to ensure that there was a clear, contractual understanding way before then.

Mr I. Jones: I would like to add to that. With regard to the process of renewing the BBC's charter, it is essential that we have a voice in that process, that that voice is clear, and that there is provision in the new charter for S4C.

Rhodri Glyn Thomas: The United Kingdom's changing union project could lead to a situation where S4C would need to compete with the BBC for funding. How would that affect your relationship, which, at the moment, in your words, is fruitful? Would competing with the BBC put any pressure on that relationship and lead to any tension?

Mr H. Jones: The changing union project—

Rhodri Glyn Thomas: The changing union, which is the UK Government's project.

[56] **Mr H. Jones:** Reit.

Mr H. Jones: Right.

[57] **Mr I. Jones:** Atebaf rhan o'r cwestiwn hwnnw. Rydym mewn cystadleuaeth ar hyn o bryd. Er bod 90% o'r arian yn dod o'r drwydded darlledu, rydym mewn cystadleuaeth yng Nghymru ar gyfer cynulleidfa; rydym yn cystadlu ar draws y bwrdd, a dweud y gwir, ond nid yw hynny'n ein rhwystro ni rhag cydweithio'n agos ar wahanol bethau fel bod buddion i ni ac i'r BBC.

Mr I. Jones: I will answer part of that question. We are in competition at present. Although 90% of our funding comes from the licence fee, we are in competition in Wales for audience numbers; we are in competition across the board, if truth be told, but that does not preclude us from working closely on many things so that there are benefits both for us and the BBC.

[58] **Mr H. Jones:** Rydym yn dymuno bod â sicrwydd cyllid o ffynhonnell uniongyrchol, annibynnol. Dyna oedd y sefyllfa a oedd yn bodoli. Rydym wedi colli'r sefyllfa honno ac mae'n annhebygol y bydd y sefyllfa honno yn ail-godi. Felly, mae'r sefyllfa bresennol yn gweithio; dyna'r dystiolaeth y byddem yn ei chyflwyno i chi heddiw. Mae'n bosibl gwneud i'r berthynas *delicate* yma weithio gyda manylion cytundebol digonol.

Mr H. Jones: We would wish to have financial security from an independent source. That was the situation as it was. That has now changed and it is unlikely that that will be the case in future. So, the current regime works; that is the evidence that we are bringing to you today. It is possible to make this delicate relationship work with adequate contractual arrangements.

[59] **Mr I. Jones:** Mae heriau hefyd. Er enghraifft, yn ddiweddar, cafwyd trafodaeth gyhoeddus am ddyfodol BBC3. Buodd cyhoeddiad yn sgil hynny gan y BBC yn Llundain mai un o'r rhesymau pam roedd BBC3 a gwasanaethau felly dan berygl oedd oherwydd bod y BBC nawr yn gorfod ariannu'r World Service ac S4C. Felly, mae heriau hefyd yn y drafodaeth.

Mr I. Jones: There are also challenges. For example, recently, there was public debate about the future of BBC3. An announcement was made in the light of that by the BBC in London that one of the reasons why BBC3 and similar services were at risk was that the BBC now had to fund the World Service and S4C. So, there are also challenges, certainly, in those discussions.

[60] **Rhodri Glyn Thomas:** Diolch yn fawr iawn. Hoffwn eich llongyfarch yn fawr ar eich penderfyniad i adleoli rhan o'r gweithlu gweinyddol i Gaerfyrddin, prosiect hynod o gyffrous. Rydym yn edrych ymlaen at eich croesawu chi ac yn edrych ymlaen at y cyfraniad y bydd hynny yn ei wneud i sefyllfa'r iaith Gymrag yng Nghaerfyrddin, a'r economi hefyd.

Rhodri Glyn Thomas: Thank you very much. I would just like to congratulate you on your decision to relocate part of the administrative workforce to Carmarthen, which is an extremely exciting project. We are looking forward to welcoming you and look forward to the contribution that it will make to the situation of the Welsh language in Carmarthen, and also the economy.

[61] **Jenny Rathbone:** There are lots of known unknowns in this constantly changing landscape, and it is very difficult to predict what it will look like in five years' time; it looks very different now from how it looked five years ago. How do you define yourselves as a public service broadcaster in relation to your commercial competition? In what way is your content different from the commercial competitors, other than the obvious ones?

[62] **Mr I. Jones:** We are in quite a unique position as not only a public service broadcaster, but also the only Welsh-language broadcaster anywhere in the world. So, we have got to be a combination of BBC 1, 2, 3, 4 and 5, the best bits of Sky and the best bits of satellite television. We have to appeal to fluent Welsh speakers, non-fluent speakers, learners, those who aspire to learn, and, wherever possible, if we can make a commercial case to do so, we put in an English-language track via the red button on television so that everybody can enjoy the content. However, because of our definition as a public service broadcaster, and those parameters, we have to supply a wide range of programming to the widest possible audience regardless of where they are and regardless of who they are. To come back to the nub of your question, which is how that compares to commercial television, commercial television is very simple: it sets out to make money, to deliver money to its shareholders, and it is in the business of television to do that. If you look at the difference between ITV and Sky or satellite television, Sky is interested in the number of subscribers it can retain, and the reduction in churn of subscribers, whereas ITV at this point in time is concerned with maximising its commercial revenue, predominantly from advertising. Therefore, they will commission programmes that will maximise those revenue sources. We have to commission a wide range of programmes for the widest possible audience.

[63] **Mr H. Jones:** A key example of that, apart from the very fact that we are broadcasting in Welsh, which is in itself a public service, is the children's service, *Cyw*, that we provide, and the percentage of our total output that is directed at children, which is clearly aimed at strengthening the ability of Welsh children to acquire language at an early age and to continue to enjoy it afterwards. That is a clear example of a public service broadcaster.

[64] **Jenny Rathbone:** Absolutely. I absolutely accept that, but I wanted to slightly widen the horizon to take in things like current affairs. For example, the Williams report that we will be looking at this afternoon is pretty critical of a lot of public services, and obviously one of the elements that keeps public services on their toes is the scrutiny that comes from the media. So, I wonder what you think your contribution is to that.

[65] **Mr H. Jones:** The provision of news and current affairs is a key component of any public service broadcaster in any country, and, clearly, our current output shows a commitment to both those elements. Current affairs is a regular, weekly component of our output. It is our challenge to ensure that it is also attractive to viewers, and ways of doing that need to be reviewed from time to time so that we do not just do the same thing every year. The news is a very good example. The format has been totally changed and renewed during the past year in consultation and partnership with the BBC, with a clearer focus now on Wales and Welsh affairs than there used to be, and that has been generally welcomed. There is no question that news and current affairs is a key component of what we do. The percentage of the output that consists of those components is always up for review. It is probably fair to say that we cannot say that any area of our output is immune from review in a period of financial

challenge, but I think you can have a certain degree of confidence that our track record so far shows a commitment to those genres.

[66] **Jenny Rathbone:** The challenge in front of you—obviously, you have all these channels now available to everybody, as well as the iPlayer and all these other platforms—is how you are going to go on being innovative and attractive, to bring in new audiences and not lose the existing ones. Obviously, you have mentioned *Y Gwyll/Hinterland* as an example of new ways of delivering audiences, but, clearly, it would be interesting to hear a bit more about your strategy for doing that in the very difficult world you now operate in.

[67] **Mr I. Jones:** The basis of the current affairs strategy is very simple. It is about ensuring plurality, ensuring that there is more than one supplier and that, if there are two or three suppliers of current affairs, they cover a wide spectrum of area. However, to pick up on something that you mentioned there, that is not just on the main channel. We are now in a multi-platform world, and that, in itself, brings challenges for a Welsh-language broadcaster. So, we have got to ensure plurality of supply and that we cover a wide range of subjects across all platforms, through our website and on screen. We have a dedicated commissioning editor for factual programming who covers news and current affairs. That commissioning editor has a brief to ensure plurality and to ensure the widest possible supply of programming across all platforms, to make sure that we are attracting audiences online, on screen, on the move and wherever those audiences might be.

[68] **Jenny Rathbone:** You say in your evidence that you think that audience figures on their own are no longer a useful indicator of how well you are doing. So, how then are you measuring yourselves in terms of your success?

[69] **Mr H. Jones:** The authority has four main areas of performance review. Viewing figures are still an important criterion. They are a measure of how intensively the service is being used, but they need to be placed in context and there are different ways of measuring viewing figures. In particular, it has to be placed in context against appreciation of the service and the way in which people respond, whether it is in terms of the surveys that we conduct or the regular tracking processes, which are important to find out what people are saying about how they view S4C in comparison with other broadcasters. So, you need to strike a balance there. There are questions about value for money, which is an important criterion for performance. Then, lastly, there are impact issues—impact on the language and what evidence there is that the existence of S4C is supporting the acquisition and the continuing use of the language and then economic impact. So, those are the four areas of performance that we look at.

[70] Any broadcaster wants to maximise—it is a broadcasting instinct to maximise your viewing figures. However, I think we all know that, if that is your only goal in life, then what you do is chase a certain type of populist programming, which is possibly not consistent with the broad remit that you have been given by Government in statute. For example, we know that sport does very well for S4C, and we are glad that we are providing a lot of Welsh sport. However, if we were to become a sports channel, that would not be—. I am taking it to extremes, but those are the sorts of daily decisions, in a way, that the commissioning editors and the team have to make in terms of the balance.

[71] **Mr I. Jones:** If I may add to that, I am set targets every year by the S4C authority. There are nine performance measures that are set out in the annual report, and I and the team have to deliver against those performance measures. However, the one performance measure among the nine that relates—. There are a number of them that relate to viewing figures, but the one I have been asked to focus on in the coming years is audience reach, and that is the number of people who tune in to watch at any point in time during a week and during a month, to ensure that that audience reach remains level over the years. The audience reach that I have been set is to look at weekly three minutes—that is people who tune in for three minutes every week. That is a generally recognised measure in the television industry.

[72] **Jenny Rathbone:** What is going to be the impact of reducing *Pobol y Cwm* from five to four days?

[73] **Mr I. Jones continues:** I would like to give you the background on that first and then I will answer your question. S4C has been broadcasting rugby live on a Saturday for over 20 years. We have had an agreement to do so, and that agreement runs out in September this year. Without consultation with us, the rights were sold for that slot to Sky. This was around six to nine months ago without consulting with us. We did not have a chance to bid for the rights; neither did the BBC. That is broadcast live on a Saturday. The only option that we have been given, if we want to retain live rugby, is to look at broadcasting it on a Sunday in the slot that is currently occupied by the *Pobol y Cwm* omnibus. At that point we were having a discussion, not only about where we would broadcast rugby, and what the future of live rugby was on S4C, but also looking at where we duplicate with the movement of audiences from the main screen to online, and whether there was any duplication on screen. We were cognisant of the fact that we were still saving money under that 36% cut that we have had.

[74] As a part of that process, we therefore decided that the day of the omnibus on any channel is rapidly coming to an end because *Pobol y Cwm* can be seen, at this point in time, five nights a week. There are repeats in the 6.30 p.m. slot. Therefore, in future, the audience will be able to see *Pobol y Cwm* in the repeat slot at 6.30 p.m. and online. Therefore, we decided that the omnibus should come to an end. We announced that a couple of months ago.

[75] S4C has been paying £2 million a year over and above the statutory agreement with the BBC for that omnibus programme, and we have been paying that £2 million for 20 years. During the discussions, then, of considering taking the omnibus away, because it was doubling the appointments to view online and on screen, we felt that we could save up to £2 million. I had a desire—and I still do—to see far more drama on S4C. When I was at S4C in the early days, we had drama every Wednesday night and every Sunday night, but those days are gone, and we cannot, at the moment, afford drama on a Sunday night around the year. So, in saving £2 million from the omnibus, I was hoping to divert some of that money into the general savings, and some of that money to commission more drama.

[76] In the process of discussing this with the BBC, it became obvious that that £2 million had also been subsidised in the five nights a week for 20 years and that it was not just £2 million that we were paying for the omnibus. We then came to a decision jointly with the BBC that, in taking the omnibus off screen, in trying to commission more drama, which

would provide more opportunities for producers, directors, actors and scriptwriters in Wales, we had a choice: do we keep *Pobol y Cwm* on air for five nights a week and reduce the quality, or do we keep the quality at the level that it is now and reduce it to four episodes a week? We decided to do that.

[77] As a part of that process, we did a substantial exercise, and a very detailed exercise, looking at the impact that getting rid of the omnibus and reducing from five days to four days a week had on reach across S4C and on the reach that *Pobol y Cwm* contributed. The impact is negligible. Due to the fact that we are able to retain live rugby on a Sunday—hopefully; we have not concluded the contracts yet—and still provide *Pobol y Cwm* online and on screen, the reduction in reach will be negligible.

[78] **Christine Chapman:** Jenny, have you got—[*Inaudible.*]

[79] **Jenny Rathbone:** Yes. Finally, what money has that generated in terms of a budget for additional drama?

[80] **Mr I. Jones:** At this point in time, it has generated £1 million for additional drama, which will be invested in drama that should hit the screen towards the end of 2015 onwards.

[81] **Jenny Rathbone:** Thank you.

[82] **Christine Chapman:** We have less than 15 minutes, and I know that some other Members want to come in as well. Janet, did you want to come in?

[83] **Janet Finch-Saunders:** To be honest, the section that I was going to ask about has already been asked.

09:45

[84] **Christine Chapman:** Fine. Mike, you had a question.

[85] **Mike Hedges:** Can I start by saying how good *Cyw* is and how often it is on in my house? What I want to say, however, is that it is all about priorities. You talked about HD earlier, and you talked about people being able to access online. A large number of constituents do not access anything online. I will pass the message on from my household, as well as from many of my constituents, who do not live in the same house as me: they would much prefer five days of *Pobol y Cwm* than they would to have anything in HD. How would you respond to them?

[86] **Mr I. Jones:** I concur with you that the main outlet for any broadcaster is the main television screen. I think that around—I need to check this statistic—2% to 3% of the audience view things online. However, if you look at patterns across broadcasters and how many people are actually moving every year online, if you look at 2009, there were 1.1 million viewing sessions online of S4C programming. By 2012, that had gone to 2.8 million. By next year, it will be higher again and, as next generation broadband rolls out in Wales, the ability to access and view things online over the years will increase dramatically. In terms of—. Sorry, Mike.

[87] **Mike Hedges:** The question was about the choice between HD and having another edition of *Pobol y Cwm*.

[88] **Mr I. Jones:** Okay. *Pobol y Cwm* reducing to four episodes versus five and HD are totally separate issues. One is about the content onscreen, and the other one is about ‘Do we get left behind compared with other broadcasters?’ We have to get back on HD at some point, whether it is in two years’ time, as we would like, or whether it is beyond that, because, at some point, everybody will have HD and S4C’s standard definition broadcasts will look substandard compared with the HD broadcasters. I think that that is a totally separate issue. However, if we have a choice at this point in time, I would still make the choice to commit now to go back on HD than to keep *Pobol y Cwm* at five days a week. The reason for that is that I think that you have to bring another thing into play here, which is the issue that I mentioned earlier—we need to get more drama on screen. We need to provide more opportunities for scriptwriters, actors, producers and directors to develop. Also, going back 30 years when S4C launched, in the first 10 years there was drama on every Wednesday night and there was drama on 52 nights of the year on a Sunday. We have, at most at the moment, two, if not three, new drama series a year. As a public service broadcaster, and personally, I do not think that that is acceptable. By providing a better opportunity for actors, writers and directors to develop and work on a wider range of programming, I think that we are doing our job as a public service broadcaster to bring a wider range of drama to our audience. [Interruption.]

[89] **Christine Chapman:** I do not think that that was for you. [Laughter.] Jocelyn, did you have a question?

[90] **Jocelyn Davies:** Obviously, Rhodri Glyn Thomas has warmly welcomed your potential move to Carmarthen; I am not too surprised at that. I suppose that the Cardiff Members may be a bit more disappointed, and, if Alun Ffred was here, I suspect that he would be seething. So, do you want to justify to us why Carmarthen over Caernarfon, and why move out of Cardiff?

[91] **Rhodri Glyn Thomas:** Because it was the best bid.

[92] **Jocelyn Davies:** Calm down. [Laughter.]

[93] **Christine Chapman:** Right, okay. Who would like to start?

[94] **Mr I. Jones:** There are some things I can tell you and there are some things I cannot, because we are subject to a non-disclosure agreement—

[95] **Jocelyn Davies:** This is not a done deal yet; you still have things to iron out.

[96] **Mr I. Jones:** Let me start there. The decision of the authority is split into three parts. First is a decision, in principle, to relocate the headquarters to Carmarthen. Second is the decision subject to contract. It is like a buying a house. We are at a stage now where a decision has been made, but we are so far from the exchange of contracts; there are lots of

things to be discussed with Carmarthen.

[97] The third element of the authority's decision is that it decided over a year ago that, subject to a number of conditions and principles, we should consider relocating up to 50 jobs and the HQ outside of Cardiff. The process started in a speech that I made in August 2012, where I expressed a desire to see some of the *buddiannau*—benefits—that S4C brings to the Welsh economy being devolved outside—

[98] **Jocelyn Davies:** Do you know how much this move would be worth to the local economy in Carmarthen—he is pricking his ears up—if it goes ahead?

[99] **Mr I. Jones:** Carmarthen commissioned an independent economic impact assessment, which is a detailed document, and in that assessment, which was based on a commercial model, they looked at the number of jobs that would be created by moving the S4C HQ to Carmarthen. Over and above the 50 jobs that are targeted from S4C, it would create another 150 jobs in and around the centre and another 600 jobs in the Carmarthen area. Research undertaken in 2012, I believe by a company called Arad, demonstrated two things about the economic impact of S4C: for every pound spent in the Welsh economy, that generated £1.95 of added value for the Welsh economy and, if you take that to its ultimate conclusion, by locating in Carmarthen, over and above the job creation, there would be an economic impact. Based on the Arad research that would be that £1 generates £1.95 for the economy.

[100] **Jocelyn Davies:** I guess that it is a really difficult decision when you have a number of bids. Those benefits will be lost now from Cardiff and Carmarthen will gain, but Caernarfon will not. Why did you choose Carmarthen over the others?

[101] **Mr I. Jones:** There was an extremely detailed process, which went on for 18 months. That process started as a feasibility study process—to look at the feasibility of doing this. The first part of the process concluded that not only should we look at relocating some of S4C's activities, but the HQ too. We then asked for expressions of interest, we received 12 from around Wales. We went through a very detailed process that was measured against what turned out to be 42 different principles set by me for the authority; we measured against all of those principles and got down to a shortlist of four, Swansea, Aberystwyth, Carmarthen and Gwynedd. Ultimately, we had a shortlist of two. Both Gwynedd and Carmarthen did detailed work looking at economic impact, linguistic impact, cultural impact, creative impact and looking at keeping S4C's brand visible. Above all that, they had to ensure that, in the current economic climate, any move was cost-neutral—it would not cost anything for S4C. Both Gwynedd and Carmarthen came out as cost-neutral. In fact, there are savings from moving to Carmarthen above staying in Cardiff.

[102] To come back to your point about Cardiff, there will still be a substantial impact in Cardiff because we have agreed, subject to contract, that we will co-locate elements of S4C's work with the BBC in its new building from 2018 onwards. Those elements include the technical and transmission side and the support services around that. There will be around 50 to 55 jobs remaining in Cardiff with the BBC.

[103] **Jocelyn Davies:** So, it is the best place, Rhodri; you are right. [*Laughter.*]

[104] **Rhodri Glyn Thomas:** Indeed it is. [*Laughter.*]

[105] **Jocelyn Davies:** It was just two years ago that the media centre was opened up. Was it a success? It was going to create this new buzz and so on.

[106] **Mr I. Jones:** The media centre in Llanishen?

[107] **Jocelyn Davies:** Yes. Where does this leave the media centre, which was opened just two years ago?

[108] **Mr I. Jones:** The media centre was created because in suffering a 36% cutback in budgets, we had to cut the staff back dramatically. That created space and we felt that we needed to fill that space to try to raise revenue to put towards our annual income. We achieved that and we have a cluster there that works really well.

[109] **Jocelyn Davies:** So, that is not going to be affected, is it, by moving your HQ and co-locating with the BBC?

[110] **Mr I. Jones:** It will be affected. In discussing with the tenants that came to the media centre, we could only promise them, because we only have an agreement with the BBC up to April 2017, that it would only be there for them until April 2017. After that point, the media centre might not exist anyway. They were fully aware of that when they came into the media centre.

[111] **Jocelyn Davies:** You mean that they were aware that it might only be an interim arrangement, and that you could not guarantee that it would carry on for a longer period?

[112] **Mr I. Jones:** Yes, that we could not guarantee anything beyond April 2017.

[113] **Mr H. Jones:** What is worth drawing out of that is the effect of S4C's presence and the catalytic effect that it had in Llanishen. Those companies came in very quickly and the existence of S4C was an attraction. We expect the same thing to happen in Carmarthen—the same phenomenon.

[114] **Christine Chapman:** We have a couple of minutes left. I know that Mike and Peter want to come in. Could you be very brief because our next panel of witnesses is ready?

[115] **Mike Hedges:** Fel Rhodri Glyn, **Mike Hedges:** Like Rhodri Glyn, I am very rwy'n hapus iawn eich bod chi'n mynd i happy that you are going to Carmarthen. I Gaerfyrddin. Rwyf am ofyn dau gwestiwn yn have two questions in English. Saesneg.

[116] The first is on timing. You have talked about being there by 2018. When are people going to start moving in there? On the question on costs, you say that it is cost neutral; does that include relocation cost?

[117] **Mr I. Jones:** Let me take the second question first. The very simple answer is 'yes'. It includes relocation costs and all costs associated with it. The answer to the first part is that we are in discussion at the moment with Carmarthen about a detailed timescale from now until 2018, with milestones. I do not envisage people moving into a media centre there until 2018, although there will be a phased move around that time.

[118] **Peter Black:** I was just thinking that it might have a devastating impact on the cultural life of Pontcanna. [*Laughter.*] I think that you have just seen a report from the Wales Audit Office on the Welsh Government's decision to relocate offices around Wales. It has concluded that it is difficult to tell whether it was value for money. Given that value for money is a wider concept than cost, how are you evaluating that this is value for money?

[119] **Mr H. Jones:** Trof yn ôl i'r Gymraeg, os ca' i. Yr ystyriaeth gyntaf oedd a yw hi'n bosibl i S4C wneud hyn heb gost i'r gwasanaeth. Roedd yn hanfodol ein bod ni'n gallu gweld, dros gyfnod o amser, y byddai'n niwtral o ran cost ac na fyddai'r gwasanaeth yn colli dim o'r herwydd. Yr ail beth oedd ein bod ni'n gallu asesu impact economaidd ac impact ieithyddol. Yn naturiol, mae hynny'n broses mwy hirdymor, ond rwy'n meddwl mai dyna'r ddau griterion allweddol y byddwn ni fel awdurdod yn edrych arnynt. Byddwn ni eisiau gofyn yr un cwestiwn a monitro hynny wrth i'r datblygiad hwn ddod i fodolaeth.

Mr H. Jones: If I could revert to Welsh. The first consideration was whether it is possible for S4C to do this on a cost-neutral basis. It was crucially important that we could demonstrate over a period of time that it would be cost-neutral and that the service would not lose out as a result. The second thing was that we are able to assess the economic impact and the linguistic impact of any move. Naturally, that is a longer-term process, but I think that those are the two crucial criteria that we as an authority will be looking at. We will be asking those same questions and we will be monitoring that as this development comes to existence.

[120] **Christine Chapman:** Thank you. We have come to the end of our questions. I thank both of you for attending. It has been a very interesting and useful discussion. We will send you a transcript of the meeting so that you can check it for factual accuracy. Thank you once again for attending.

10:02

Sesiwn Ddilynol gydag ITV Cymru ynghylch y Rhagolygon ar Gyfer Dyfodol y Cyfryngau yng Nghymru

The Future Outlook for the Media in Wales: Follow-up Session with ITV Wales

[121] **Christine Chapman:** I would now like to welcome Phil Henfrey, head of news and programmes with ITV Wales, and also Huw Rossiter, public affairs manager. Welcome to you both. I know that you have sent us a paper, but I know that you want to make a brief opening statement before we go into questions.

[122] **Mr Henfrey:** If that is all right.

[123] **Christine Chapman:** Yes.

[124] **Mr Henfrey:** It is just to say that we are delighted to be here and to have this opportunity to talk about ITV and our performance last year and also to talk about things that are coming up in the year ahead. I think that 2015 is going to be something of a landmark year. It marks a year where we will start our new licence for Wales, a stand-alone licence for Wales, which will reflect the political and cultural realities of Wales. It will contain four hours of news provision and 90 minutes of current affairs provision, together with other programming. With that comes a new confidence in the future. We are investing in the future. There is a renewal of purpose that I hope that you are all starting to see about ITV. We are investing in a new headquarters at Assembly Square.

[125] We are also investing in our schedule and in new programmes. We are doing very well online. Our digital news service continues to grow, as do our programmes on the screen. Our 6 p.m. news programme has now grown its audience rating for the last three years in a row. We continue to have a healthy commercial relationship with S4C, making some of its most watched and popular programming and, to crown it all, last year, we also won two BAFTAs. We won a BAFTA for best news coverage and we won a BAFTA for best current affairs coverage, for the second year in a row.

[126] So, we are in good shape, but we still have lots to do. We provide the programmes that we provide for viewers in Wales for free. There is no cost to the taxpayer for our programming, so we need to continue to invest in our business and in growing our global content business, as well as delivering new revenue streams, so that we rebalance the business and so that we are less reliant on advertising for our revenues. We need to continue to be nimble; this is an internet age and we will face many challenges over the next 10 years.

[127] Closer to home, we need to work harder inside ITV, and also outside ITV, to create the right environment so that we get more programmes made in Wales on the network, on ITV. I could go on, but I am sure that you have a lot of questions that you would like to ask me, so thank you for your time and your indulgence, and I am happy to answer any questions you have.

[128] **Christine Chapman:** Thank you, Phil, and obviously, Huw will come in as well. Yes, these are some of the themes that we will touch on in more detail. I will start off. You referred to the new 10-year licence from 2015 and the implications for ITV Cymru Wales. Could you outline once again what this will mean for the services that it provides to the public in Wales? You started to touch on that, but perhaps you could continue.

[129] **Mr Henfrey:** I would be very happy to do so. The licence gives us security, overall. If I could note the one thing that it gives, then it gives us security. It secures jobs and it secures programmes, and it secures programmes that people in Wales really value and that I believe deliver a great deal of public good. We talk about four hours of news provision and 90 minutes of non-news programming, or what I would prefer to call 'programmes'—current affairs programmes, factual programmes and so on. However, when we talk about minutes, we sometimes forget what that actually means. It means a news service that delivers a half-hour nightly news programme, at 6 p.m. every evening, which gets more than 200,000

viewers. We know from research that those viewers might not get their news from anywhere else in Wales if they were not getting it at 6 p.m. That represents a great deal of public good.

[130] What does that 90 minutes translate into? You will all know what the *Sharp End* is, and many of you will have appeared on it, but it also translates into programmes such as *Wales This Week*, which is a weekly current affairs programme that asks challenging questions of people and organisations in power. It also translates into programmes such as *Coast and Country*, which is a celebration of rural life in Wales and its people. So, yes, it is 90 minutes, and that might not always sound like an awful lot, but for viewers in Wales, it is an awful lot. That sits within a network that is a very successful network. ITV is so many more things than the things that we provide solely here in Wales. Once again, these are hugely popular. ITV was the only broadcaster to grow its audience share last year. That does not just happen; it happens because you are investing in great programming that people want to watch. I sometimes say that we have come a long way since the days of *Celebrity Love Island* and anybody who watches ITV now will know that. The programmes that we make are absolutely relevant to what we do.

[131] **Jocelyn Davies:** Thank goodness we have moved on from that.

[132] **Mr Henfrey:** Yes, absolutely.

[133] These are programmes that are absolutely relevant for the current age and are hugely valued by viewers in Wales, as well as those across the UK.

[134] **Peter Black:** In its evidence to the task and finish group in 2011, ITV Wales said that certainty regarding the new licence would enable it to take creative risks and make the investment to support PSB delivery. Will the new licence mean more investment, therefore, in ITV Wales services apart from news and current affairs programmes, which you have outlined in some detail?

[135] **Mr Henfrey:** We must not lose sight of what we were talking about in 2011, because, while ITV is in a good position now, a few years ago, as you referred to, it was a very uncertain future, and there was a great deal of concern as to whether ITV would continue to produce the programmes it was producing in Wales. When you are talking about investment in the future, the fact that ITV is committing, for the next 10 years, in a very uncertain environment—if we can still say that—to the programmes that it is making in Wales is a sign of that confidence and the investment that we are making.

[136] When I talked about creative risk, I was probably also talking in the context that, when your future is uncertain, you tend to become risk-averse and to play safe. As we start to look towards the future, I personally am starting to plan ahead. We are a creative business. Ultimately, it is all about the people and about great ideas. For me, it is about creating an environment for people to have great ideas, and, sometimes, great ideas do not cost a great deal of money. So, in that context, I was talking about the fact that, if we were to get our licence, we would see a creative renewal. We are starting to see that now. We are seeing investment, certainly, in Assembly Square, but also in terms of the schedule—and I have mentioned *Coast and Country*, which is a brand-new programme. You have to take a

programme off the air to put a new programme on the air, if that makes sense. There is always a risk if you take a programme off. *Coast and Country* has paid off. We have created a new programme on Sundays. We have not done programmes on Sunday mornings for quite some considerable time. Other broadcasters have gathered that turf and said that Sunday morning is all about political programming. We have come on the air with *Newsweek Wales* and offered something different and it has been very successful. You are already starting to see, in the first six to nine months since our licence renewal became clear, that we are starting to take those risks and we have another 10 years ahead of us.

[137] **Peter Black:** I will certainly acknowledge that you are in a much better place in terms of news and current affairs, because there were genuine fears about the future of that in relation to Wales. You have stepped up to the mark and have invested in that. Beyond that, the BBC has invested substantial sums of money in drama in Wales. Will ITV Wales be responding to that investment with investment of its own in drama?

[138] **Mr Henfrey:** What I do not want to confuse is what our license commitment is in Wales and whether or not we are going to commission a drama. As an organisation, ITV commissions more than £1 billion of content. We are in the market and absolutely open for business.

[139] **Peter Black:** How much of that commissioning is in Wales?

[140] **Mr Henfrey:** That is what I am about to come to. We are absolutely open for business for that business to come to Wales. In my mind, there are no barriers to that. However, the uncertainty around our entire future as an organisation, as ITV, and our future about programming in Wales might have led to a belief that we were not open for business and great ideas. We are. Yes, we are in competition with S4C and BBC for those great ideas, but what we have been trying to do—certainly over the last six to nine months—is to re-engage with the independent sector in Wales. There is a great drama industry that has developed here in Wales. I am keen, internally within ITV, that ITV is aware of that. We brought Peter Fincham, the director of ITV, to Cardiff and he had a round-table session with all the heads of the independent sector. From that meeting, we have had the commissioning editor of drama here and we have also had the commissioning director of factual here. Those are all big genres that we make here in Wales, but not currently on ITV. At the end of the day, it will be about great ideas. What we have to do is get the independent sector to think, ‘I have a really good idea for a drama, I have a really good idea for a programme, and I’m going to take it to ITV’, because ITV is absolutely open for business for that kind of idea.

[141] **Christine Chapman:** Leighton, did you want to come in?

[142] **Leighton Andrews:** Are you able to guarantee that you will keep up your investment in the Welsh language?

[143] **Mr Henfrey:** Our investment in the Welsh language is significant, but it sits outside of our licence commitment. It is a commercial arrangement that we have with S4C. We compete with all the other production companies in Wales for the business that we have with S4C. We have to offer high quality, which I think we do. We also have to offer it at a price

that is affordable for the channel, which I think they do. I cannot offer any guarantees around that, because, ultimately, it is up to the commissioning editors of S4C as to whether or not we have that programming in the Welsh language. However, we are absolutely determined to maintain that business. We are determined to work with them. We have a very healthy relationship at the moment. I do not see any reason why we cannot continue to have that healthy relationship. I cannot guarantee it, because it is not in my hands to guarantee, but we will absolutely continue to put in the energies that we need to maintain that business and, who knows, perhaps even grow it. We are in the market of not just showing programmes, but we are in the market of making programmes. As ITV and the ITV Cymru Wales team, we make great programmes, we have great ideas, and we are constantly pitching those to S4C. Whether they get commissioned is up to S4C commissioners, but absolutely, it is an important part of our business.

[144] **Mr Rossiter:** To add to that, the plurality of supply that ITV brings to S4C is very important, contributing on top of what the independent sector produces and the BBC produces. Having ITV as a supplier to S4C clearly enriches that channel and brings a lot of the strong editorial values that ITV possesses to the table to the Welsh-language audience.

[145] **Leighton Andrews:** May I ask about the practicalities of the ITV Cymru licence in respect of the coverage of channel 3 in Wales? Historically, we know that large parts of north-east Wales would look to Granada, as it was, and there are issues in south Wales as well. Do you see that perspective changing and is there any evidence yet in terms of transmission patterns and so on?

10:15

[146] **Mr Henfrey:** I am no great expert on this, but, in some ways, I think, going to digital from the old analogue signal has certainly helped things in the sense that, for people with a Sky box, their postcode determines the signal that they get, which has helped with the north-east corner element of things. A large proportion of people who watch the main channels in Wales watch through the Sky platform, largely because of the mountainous terrain that we have in Wales.

[147] On going digital, there was a period about five years ago when the two signals were on air, and the digital signal was not as strong as it could have been because the analogue signal still existed. Now, the analogue signal has been turned off, so there is greater signal there. The other element and the next step of this will be people receiving their television through broadband. That will be the next element of this. Obviously, ITV will not be responsible for delivering the broadband network—that is something else. One of the things that we are very keen to ensure is that the broadband network in Wales is as good as it can possibly be, because, ultimately, in many years to come—who knows how many—you will get a growing proportion of people accessing their ITV signal through broadband.

[148] I am sure that there are pockets of people who might be listening to this saying, ‘I still struggle to get ITV’. I think that that is less of an issue than it was, say, five years ago, and I think that technology in the future could potentially eradicate that completely, provided that the broadband signal to people’s homes is as good as it needs to be.

[149] **Leighton Andrews:** We know from past research that this has been an issue in terms of the communication or understanding of public affairs within Wales, because there are large parts of the audience who were not receiving a national network ITV, if you like, from Wales. Could you give us a note on the detail of all of that and how that has changed? You do not have it at your fingertips today, but there must be technical material that you have that could tell us what has been happening in signal terms.

[150] **Mr Henfrey:** Yes, and I am sure that our regulator, Ofcom, will be across it and would have detail. Anecdotally, I hear what you are saying and I think that you are absolutely right. Again, there was concern a few years ago about the work of this institution and were people actually getting to see it if they were not watching channels such as ITV Cymru Wales. However, remarkably on some levels, given the predictions around what would happen to the main channels in the explosion of digital, we have seen a growth in the number of people watching our 6.00 p.m. programme. There are more people watching our 6.00 p.m. news about Wales now than were watching it a decade ago, when there were fewer channels, so it is almost as if—

[151] **Leighton Andrews:** I am just conscious that there is a hotel that I tend to stay in, that is actually in Janet's constituency in Llandudno, where, usually, the television is tuned to north-west England channels, not to Welsh channels. The hotel must be digitally enabled, so I am not sure that that problem has yet been resolved. Certainly, in the 1997 referendum, all of these issues were major factors and the academic research identified it, so it would be helpful to have that.

[152] **Christine Chapman:** Huw, did you want to come in?

[153] **Mr Rossiter:** Yes. I have probably stayed in the same hotel, actually. I know exactly what the problems are. It is certainly something that, in the past, was a major issue, as we know, in the pre-digital age. As Phil says, the onset of digitalisation has lessened that issue, but certainly, there is a public awareness initiative that perhaps could be escalated to ensure that, in those parts of Wales, an awareness of what is available—

[154] **Leighton Andrews:** We are talking about Llandudno. It is not exactly right on the border with England.

[155] **Mr Rossiter:** No, indeed, but they are established traditions, and it is very difficult to break habits of various viewerships. That is part of the problem that exists.

[156] **Mr Henfrey:** If the hotel owner originated from Manchester, they are watching their local TV, are they not?

[157] **Janet Finch-Saunders:** If I might come in, it is not just the one hotel; it is most of the properties along Llandudno promenade and all of the apartments there and all down Nant-y-Gamar Road and a lot of Craig y Don, actually. Across Conwy, you would be amazed at how many aerials are pointed in the wrong direction.

[158] **Mr Henfrey:** It is not confined to north-east Wales. Cardiff has an awful lot of

people that—

[159] **Janet Finch-Saunders:** My question is: what can you do about it? How can you make them aware? I do my best.

[160] **Leighton Andrews:** Is this a digital terrestrial television issue, or is it a satellite issue as well?

[161] **Mr Henfrey:** As I say, I am no terrific expert on this, but the Sky box is driven by your postcode, although as a consumer you still have choice and a lot of this is driven by consumer choice as to where they want to point their aerials.

[162] **Leighton Andrews:** It is and it is not. You are talking about a digital satellite signal or you are talking about a digital terrestrial signal. On Sky, you have a fairly wide range of options in respect of the regional services, but on DTT I assume that it is the same old problem of what the aerial is accessing, is it not? Therefore, it will be either pointing towards the Welsh channel or away from the Welsh channel. Am I right? I am just trying to understand the technology here.

[163] **Mr Rossiter:** It would be, and that is where an awareness campaign would need to be conducted to ensure that people are aware of it. They are probably aware of it, but consumer choice is a very difficult thing to change overnight. The progress that has been made since digitalisation has changed the availability of those services.

[164] **Mr Henfrey:** If there were an external advertising campaign that said, ‘Watch ITV Cymru Wales at 6 p.m. to get information about Wales’, I would not be opposed to it.

[165] **Leighton Andrews:** But, would you run it?

[166] **Mr Henfrey:** If I ran it, I would be preaching to the converted because they would already be watching.

[167] **Jenny Rathbone:** Put it on the north-west one then.

[168] **Christine Chapman:** If we can move on now. You are going to send a note, as Leighton suggested.

[169] **Mr Henfrey:** Yes.

[170] **Christine Chapman:** Rhodri, did you want to come in?

[171] **Rhodri Glyn Thomas:** Mae'r **Rhodri Glyn Thomas:** The current licence agreement mentions four hours of news and cytundeb trwydded presennol yn sôn am agreement mentions four hours of news and bedair awr o newyddion a 90 munud o 90 minutes of non-news programmes for raglenni nad ydynt yn newyddion ar gyfer Wales per week. Is that appropriate for the Cymru yr wythnos. A yw hynny'n briodol o role of ITV Wales as a public service ran rôl ITV Cymru fel darlledwr cyhoeddus? broadcaster?

[172] **Mr Rossiter:** Mae'r rhaglenni yn ychwanegol i'r newyddion, fel rydych yn dweud. Mae amrywiaeth o raglenni dros y 90 munud hynny. Rydym yn cyflwyno rhaglenni ffeithiol, rhaglenni materion cyfoes a rhaglenni yn ymwneud â'r wlad, er enghraifft, *Coast and Country*. Felly, mae amrywiaeth yn ein rhaglenni. Rydym yn canolbwyntio yn ystod cyfnod yr haf ar yr Eisteddfod a'r Sioe Frenhinol. Mae hynny'n rhan o'n *mix* yn y *schedule*. Felly, mae amrywiaeth yno, ac mae'r drwydded sydd wedi cael ei chytuno gydag Ofcom yn rhywbeth rydym yn meddwl sy'n addas i'r gynulleidfa yng Nghymru.

[173] **Rhodri Glyn Thomas:** Rydych yn sôn am y cyfnod ar ôl 2015 fel cyfnod o hyder a sicrwydd newydd i ITV Cymru. Mae llawer iawn o alw y dyddiau hyn am ehangu ar y ddarpariaeth o ran darlledu cyhoeddus yng Nghymru sy'n ymwneud â Chymru. Mae dadl wedi bod dros y blynyddoedd bod y nifer o oriau o raglenni am Gymru o Gymru drwy gyfrwng y Saesneg yn fach iawn. A ydych yn credu bod gan ITV Cymru rôl i'w chwarae i gynyddu'r nifer o raglenni sydd ar gael?

[174] **Mr Rossiter:** Termau ein trwydded yw 90 munud yr wythnos o raglenni a phedair awr yr wythnos o newyddion. Dyna yw termau ein trwydded. Yr hyn rydym yn trio ei wneud o dan yr amgylchiadau hynny yw darparu gwasanaeth sydd yn adlewyrchu Cymru mewn termau materion cyfoes a rhaglenni ffeithiol, ac ati. Fel cwmni masnachol, rydym yn teimlo ein bod yn darparu gwasanaeth sydd yn addas i Gymru.

[175] **Mike Hedges:** On Welsh sport, how much Welsh sport do you put on? I seem to be missing all of it.

[176] **Mr Renfrey:** I will be absolutely honest: sports rights are expensive—they are very expensive. You will no doubt know that ITV at the moment is commercially very successful, but recently lost out on the Champions League football rights because, due to the amount of

Mr Rossiter: The programmes are in addition to the news service, as you say. There is a variety of programming over those 90 minutes. We produce factual programmes, current affairs output and programmes related to the country, such as *Coast and Country*. So, there is a wide variety in that programming. We concentrate during the summer period on the Eisteddfod and the Royal Welsh. That is part of our schedule mix. So, there is a wide variety in place, and the licence agreed with Ofcom is something that we believe is appropriate to the audience in Wales.

Rhodri Glyn Thomas: You mentioned the period after 2015 as being one of new confidence and certainty for ITV Wales. There is much demand at present for an expansion of the provision of public service broadcasting in Wales in relation to Wales. There has been an argument over the years that the number of hours of programming about Wales from Wales through the medium of English is very small. Do you think that ITV Wales has a role to play in increasing the number of programmes available?

Mr Rossiter: The terms of our licence are 90 minutes per week of programming and four hours per week of news. Those are the terms of our licence. What we endeavour to do under those circumstances is to provide a service that depicts Wales in terms of current affairs and factual programmes, and so on. As a commercial company, we believe that we are providing a service that is appropriate for Wales.

money that it would have cost to buy the rights, it was no longer affordable within our business model to make money out of it. So, as a sort of editor-in-chief in Wales, would I like more sport; would I like to have access to the RBS 6 Nations championship; and would I like to have access to football? Of course I would, but it is a question of affordability. It always comes back to that question. I do not think that we would have the budget to secure those rights in the competition that we face with the other broadcasters in Wales that are funded differently to us. I hear what you are saying. We are not in the market of sports rights.

[177] **Mike Hedges:** I think that I have noticed that. The other thing that I would say is that the BBC has secondary rights, does it not? Sky has first rights for certain football matches, and then the BBC has secondary rights. Have you ever considered trying to get the secondary rights of BT?

[178] **Mr Henfrey:** Again, the answer to that is ‘yes’. Again, it is a question of affordability. We will have secondary rights for the qualifying games of the European football qualifiers. It is quite complicated because it is not full secondary rights to show highlights of the live game that has been on Sky that evening. They will be secondary rights to show up to 10 minutes in a programme that features all the home nations. So, there are some secondary rights on ITV, but, again, it is purely and simply a question of economics that the cost of sports rights is outside of my price bracket, I am afraid.

[179] **Mr Rossiter:** Just to add to that, ITV has the rights for the Rugby World Cup next year. Obviously, going on the success of our coverage of the last Rugby World Cup—not just Wales’s success, but ITV’s too, in terms of our coverage—that is something that we are looking forward to in 2015.

[180] **Mr Henfrey:** We are especially looking forward to the England versus Wales game in pool A on the Saturday night.

[181] **Mike Hedges:** That is to see who is going to qualify.

[182] **Jocelyn Davies:** Other sports are available. [*Laughter.*]

[183] **Christine Chapman:** Yes. What about Barry Welsh, because that used to be on, did it not? There was *Barry Welsh is Coming*.

[184] **Mr Rossiter:** Indeed. Yes.

[185] **Christine Chapman:** I was in the studio audience once.

[186] **Jocelyn Davies:** Women play rugby as well.

[187] **Mr Rossiter:** If I can just come back to Rhodri’s question about the level of our services, I think that the important point to add is that we add to the plurality of broadcasting in Wales. The BBC and S4C provide services and we provide our own range of programmes, which actually bring competition to the BBC, in particular, and S4C, and actually bring the ITV brand to audiences in Wales. So, seeing that in the round without ITV, as was the

position possibly some years ago, producing regional and national programming for Wales, there is a real sense of being part of the mix here in Wales, which actually adds to the broadcasting system here.

[188] **Christine Chapman:** I will move on now to Janet and then to Jenny.

[189] **Janet Finch-Saunders:** Do you feel that ITV Cymru Wales has benefited, or will benefit in any way, from ITV plc's 21% profit growth in 2013, and if so, how?

[190] **Mr Henfrey:** The answer is 'yes'. I am sure that you want me to expand on that. The move to a new headquarters is absolutely directly related to the success within the wider company. It is a multimillion pound investment. I suppose that I would probably also say that it almost takes it back a couple of years, when there was that period of great uncertainty about the programming service that we supplied in Wales and why that was. That was because there was great uncertainty about ITV in the marketplace. That uncertainty is no longer there. The company is profitable, and that gives us confidence in Wales to plan ahead, and it gives us confidence in Wales to secure a 10-year licence. There are direct benefits—and Assembly Square is an example of that—but the profitability, strength and resilience of the wider company leads to the confidence that I was talking about earlier, and that is a direct consequence too of the profits that we are making.

10:30

[191] **Janet Finch-Saunders:** So, in terms of the overall assessment of how your programmes and services are doing—and you mentioned the indicators—are you confident that those are the best indicators for you to use?

[192] **Mr Henfrey:** Again, I am always open to others. In some ways, having conversations like this is helpful. You are viewers and you will speak to our viewers. So, I think that one of the reasons why I am very keen to come to things like this is for that. In terms of the indicators that we use, I am quite old-fashioned in the sense that I think that the number of viewers watching is quite important. On those measures, we are doing pretty well. I mentioned that ITV, as a network, is the only one to grow its share. I also mentioned that the 6 p.m. news programme has grown its share three years in a row. We make the most watched current affairs programme in Wales in *Wales this Week*. Those are really quite powerful indicators. It is also about innovation. There is always a danger in broadcasting—it is a creative business and we do not want to stagnate, so we would always be looking at, 'What have we innovated? What are we doing new next year? What plans have we got for the future?'

[193] It is also about the team. At the end of the day, a lot of what we do is all about people and ideas. So, it is about what the morale is like within the team. At the moment, we do something called a survey around engagement, which basically asks people how they feel about the work they do and how they feel about working for ITV. We have a 90% approval rating, engagement rating, at the moment. This is one of the highest of any part of ITV. To put that into context, most large firms would have an engagement score of around 40% or 50% if they were doing really well. So, that is a really good indicator as well. Of course, there is also recognition by your peers. Winning two BAFTAs is, I think, recognition of the quality

and consistency of our programming. So, yes, we have a number of indicators, but I am always open to others if people feel that we should consider them.

[194] **Janet Finch-Saunders:** Our Presiding Officer has mentioned—as I think people in the media and politics have—that there is a democratic deficit, particularly now that the Assembly has extra powers. Coming from a north Wales constituency, I find that people are still unaware of what powers we have here. I was asked only the other day whether I covered the same patch as the MP. People do not understand what a regional AM is and I think that, really, you could help a lot in that regard. I think that it is fair to say—and I would like to put this on record—that the programmes you mentioned earlier—and one in particular, *Sharp End*—have, I think, really bridged a gap. I am a frequent visitor to and user of Twitter, and when *Sharp End* is on it just goes crazy with people interacting. On numerous occasions, it has been said, ‘Could we have an hour of *Sharp End*?’ Of late, comments have been coming forward about the fact that, on the BBC, if the item is about Wales, it does not even put Welsh politicians on. It is fair to say that *Sharp End* does profile—. You really know what is going on in the Assembly thanks to that programme. I wanted to put that on record. Have you given any thought to increasing the time for that?

[195] **Mr Henfrey:** It is great that you say that—

[196] **Janet Finch-Saunders:** It is brilliant.

[197] **Mr Henfrey:** —and I am really pleased to hear that and I am sure that Adrian, Nick and the team will be too. We moved *Sharp End* to Mondays, and I think that that has helped in its renewal in some ways as well. I think that the programme feels stronger. It has more confidence about itself. Also, because it is on Mondays, it is looking ahead rather than looking back. Actually, I think that that is the position that programme should have.

[198] **Janet Finch-Saunders:** Your viewing figures have gone up, have they?

[199] **Mr Henfrey:** Well—

[200] **Janet Finch-Saunders:** It is early days.

[201] **Mr Henfrey:** It is early days, as it were. It is on late at night. However, what is important there is also what you say about digital media. We talk about politics in terms of—. We talked a lot about broadcasting, and quite understandably, but one of the things we have brought to the table is our digital service. It sits outside of our licence, and I would characterise it as a rolling digital service. It is deliberately targeted at people’s tablets and mobile phones. It is for when people are on the move. In many ways, that is going to be the future. Political content works particularly well. I think, I hope, that you start to see that, actually, the service that Adrian, Nick and the team are providing via that route will be just as important in helping to address some of the issues that we are talking about there in terms of the democratic deficit—a service direct to people’s tablets and mobile phones, as well as those key points in the evening schedule when the programming is on. So, I am really pleased to hear that, and I think that digital will really start to add to the impact of our political coverage.

[202] **Janet Finch-Saunders:** What is your response to the claim by Ofcom that ITV Wales has had limited success in supplying programmes to the ITV network in recent years? Why is that the case? Do you have any plans to address this issue?

[203] **Mr Henfrey:** I would probably start by saying that it is not a new issue; it is an issue that has been around for a long, long time. So, what can we do about it? I do not think that it has been helped by all the uncertainty that sat around the future of ITV in the last few years. As I think I said earlier, because we are in competition with the BBC and, here in Wales, with S4C, but also with all the other broadcasters that are out there, perhaps some of the other companies and organisations that have got some of the ideas were not thinking about ITV. So, we are actively engaging with those organisations and companies to say, 'ITV is absolutely open for business', not least because there is now that critical mass that has been built up in Wales over the last few years, particularly in drama, although we have a long heritage in terms of factual programming and so on. You are starting to see things. There was a series at the beginning of this year, the Griff Rhys Jones series, *A Great Welsh Adventure*—

[204] **Janet Finch-Saunders:** That was excellent.

[205] **Mr Henfrey:** It went out across the UK, and enquiries to the Visit Wales website went through the roof. It was a great series to have. Now, that sort of sits outside of our licence commitment. I would like to see ideas being commissioned because they are great ideas, and they are being made in Wales. I do not see any physical barriers to that, and I do see us having a role, given that we are based here in Wales, in helping to build those relationships again. It offers no guarantees, unfortunately. This is not a quota business. It is not a matter of industrial policy. It genuinely is connecting up the people with the ideas and getting those ideas to the people who commission the programmes. That is what we are trying to do, and we shall see what comes from it.

[206] **Christine Chapman:** We will move on now to Jenny. Have you got any other questions, Jenny?

[207] **Jenny Rathbone:** Which production company made the Griff Rhys Jones programme?

[208] **Mr Henfrey:** Modern Television.

[209] **Jenny Rathbone:** Is that based in Wales?

[210] **Mr Henfrey:** I think Griff Rhys Jones would probably argue that it has a base in Wales.

[211] **Jenny Rathbone:** That sounds a bit tentative to me.

[212] **Mr Henfrey:** Yes. Modern Television has got a base in Wales. Lots of production companies have bases all across the UK. That is kind of how it works. I use that just as an example of the fact that ITV will commission great ideas. I want more of those great ideas to

come from Wales, and that is what we are trying to do.

[213] **Jenny Rathbone:** I just want to learn a little more about your initial remarks about the need to take creative risks. What sort of budget do the three public service broadcasting programmers have to take creative risks rather than just sticking three politicians in a studio?

[214] **Mr Rossiter:** That could be a risk. [*Laughter.*]

[215] **Mr Henfrey:** I was going to say that.

[216] **Jenny Rathbone:** You have to have your journalism in shape, but, in terms of creative risk, examining the wider perspective, addressing some of the issues that are in the Williams report, what sort of things can we expect to get from ITV with your better budgets?

[217] **Mr Henfrey:** Well, I would not want to underplay the stability card. Yes, budgets are important, of course, but having stability means that you can plan ahead. You stop thinking week to week, month to month, and you start to think longer term. That means you can develop new talent, which is a good thing; it means that you can develop skills with people, which is a good thing; and it means that you can invest in ideas, and try things out, and that is a good thing. Stripping it back down to journalism, some of the really powerful and impactful investigations that are done take time. They are not really about money, they are about somebody having a great idea, being passionate about it, and then being given the time to do that. We are now in an environment where it feels a little bit more like time is on our side, and that we can plan ahead. What will that lead to? I cannot make promises, but I do think that we have a much better environment for that to happen in. We are 100 strong, and you could look at that and say, 'That's not very many'. I look at it the opposite way and say, 'That's a great many people who are very talented and very passionate about what they do', and we are about to base them where you would absolutely want to base them, that is, where the decision makers are, where the key organisations of power are, so that they can get involved and start to ask awkward questions and so on. So, I am optimistic about the future. There are no guarantees around it; I do not necessarily think that creative risk is purely driven by budgets. I do not see that you necessarily need to have one in order to have the other. It is more about the environment that we are in now, which says, 'We're here for 10 years, we know what our purpose is, let's get on with it'.

[218] **Jenny Rathbone:** Given the technological revolution that we have experienced, where practically every family in Wales has the ability to be a video maker of some sort or another, how do you think that ITV Wales is going to continue to add value to describing the world and giving us a better understanding of the challenges that we face?

[219] **Mr Henfrey:** I was at an event a few weeks ago and a very notable journalist—whom I will not name—described this as the golden age of journalism. I thought that was really interesting. The central thesis that sat around that was that with Twitter, for example—other social media are available—what you have is a mass of opinion, unchecked facts, et cetera. What the journalist can start to do is to become that trusted guide for people. You are not really following a journalist because you want to know what they had for tea, although that can be quite interesting. The great journalists are starting to point you in the direction of

things. Have you seen this? Have you seen that? That is interesting; you need to know a little bit more about that. They start to become a trusted guide. It may be similar to what, 30 years ago, you may have felt that the Jonathan Dimblebeys of this world were doing via broadcast, but now it is being done via Twitter. So, yes, you are right that, in many ways, there has been an explosion in content, but that almost makes it more important that there are trusted guides out there who, by law, have to be impartial, and who, by law, have to be accurate. That is what we bring to the digital space.

[220] I think that it is a great legacy from the old broadcasting era, if I can put it that way, that we put into the digital space. One of the things that came up, when we were going through the public service licence requirements, and whether our licence should be renewed, was a question of trust. When the survey was done around, ‘Who do you trust?’ broadcasters score very highly—around 75% of people trust broadcasters to tell them the truth. For newspapers, the figure is around 4% or 5%. We are bringing those values into the digital space. I want the content that I see on my digital service and from my journalists operating in that space to maintain that integrity, impartiality and accuracy. I think that is really important as we take that into the brand. That is the most important role that I think we will play, if that makes sense, in the new digital space.

[221] **Christine Chapman:** We will move on now. I think that Gwyn and Jocelyn have questions.

[222] **Gwyn R. Price:** Yes. Good morning to you both. On what basis did you decide to move from Culverhouse Cross to Cardiff bay?

[223] **Mr Henfrey:** The first thing it means is that we can replace what is largely obsolete equipment. It is a massive investment in technology and we are a technology-led business in many ways. So, that is one immediate advantage—HD, et cetera. I have sort of referred to this. If we were a start-up organisation that had a 10-year licence to broadcast news and current affairs in Wales, where would we base ourselves? I think that we would base ourselves in this part of Wales—not exclusively, as we would still maintain, as we are going to do, offices in Colwyn Bay, et cetera, but this is where you would want the bulk of your programme makers and journalists to be. To be absolutely honest, I have worked at Culverhouse Cross for 20 years, but the building that we are going into is an amazing building. It is a really pleasant place to be and to work in. We are a creative organisation and, if people feel good about where they work, they start to have great ideas. I am very fond of Culverhouse Cross, but it has long outlived its sell-by date in terms of the physical building.

[224] I could probably explain it better in this way: there are a small number of people whose jobs absolutely depend on the Culverhouse site. However, outside of that, there will be no reductions in production staff, no reductions in our journalism, and no reduction in the number of hours of programming that we make. Everything stays the same by our move. The one thing that is different is that instead of occupying 150,000 sq ft to do what we do, we will be occupying 11,000 sq ft. If you start to think around overheads and affordability and where you spend your money, do you spend it on your programmes or buildings and so on and so forth? If I have a choice, which I have in the new building, I would want to spend it on programmes, not on massive overheads to keep an old building that had long since outlived

its usefulness.

10:45

[225] **Christine Chapman:** Jocelyn, did you have any questions?

[226] **Jocelyn Davies:** Yes. So, you are selling the site up at Culverhouse Cross.

[227] **Mr Henfrey:** We hope to, yes.

[228] **Jocelyn Davies:** I assume that you are the owners of that site.

[229] **Mr Henfrey:** Yes.

[230] **Jocelyn Davies:** It will probably go for housing now. Will the proceeds from the sale of that site go towards the purchase of the building at Assembly Square? Are you going to be owners there? You have cited several times this morning that this multi-million pound investment is a demonstration of your security and your going forward. You have cited the move three or four times, I think, as an example of that. Are you going to be the owners of the building down here in the bay?

[231] **Mr Henfrey:** No.

[232] **Jocelyn Davies:** You are not. So, you are leasing that.

[233] **Mr Henfrey:** We are going to lease the building.

[234] **Jocelyn Davies:** The investment from the sale—let us hope the sale goes through and everything is fine—will go into equipment and people.

[235] **Mr Henfrey:** Yes, both. The sale of the site is not directly connected to funding the move to Assembly Square.

[236] **Jocelyn Davies:** So, you are doing that anyway, but the proceeds from the sale of the site will go into investments.

[237] **Mr Henfrey:** Yes. Well, the proceeds from the sale of the site—. As I have just referred to, Culverhouse Cross had massive overheads that were borne centrally.

[238] **Jocelyn Davies:** It did not look very environmentally friendly.

[239] **Mr Henfrey:** No. Trust me, it was not. You should see our oil bill. It effectively ran at a loss of several hundred thousand pounds a year for many years. Those costs have been borne centrally, so, obviously, we want to recoup; we are a commercial company. We want to recoup our costs. On the investment we made into Assembly Square, part of the problem has always been—. It is 15 years since we put forward an application to redevelop Culverhouse Cross. By connecting the redevelopment of Culverhouse Cross to any move, it meant that no move could happen until we had made the sale. We de-coupled that a few years ago and

decided to make that investment in Wales. So, we have separated the two off, if that makes sense. Yes, we hope to sell the site at Culverhouse Cross, and that will, hopefully, recoup the losses we made over previous years.

[240] **Jocelyn Davies:** You will be leasing, I assume, for a period of time, but the investment is in equipment, which allows you to go forward in confidence.

[241] **Mr Henfrey:** Yes. We started the refit of that back in last June. It is still ongoing; I was there this morning. Although technology in our industry has become more nimble, there is still a lot of it. We have to build a studio and edit suites to make programmes in. We have to get transmission equipment to get the signal from X to Y. So, it is still an awful lot of money to spend to make what we make. That is where the bulk of the investment is going: in refitting the office space into a purpose-built production facility and studio.

[242] **Jocelyn Davies:** Okay. I think my other points have been covered in previous questions, Chair.

[243] **Christine Chapman:** There are no other questions from Members, I believe. On that note, I thank Phil and Huw for attending today. It has been a very useful session for us. We will send you a transcript of the meeting so that you can check it for factual accuracy. I offer my best wishes for you for the move.

[244] **Mr Henfrey:** Thank you very much.

[245] **Christine Chapman:** We will break now. We are slightly early, so will we come back by 11:05 a.m., say, and possibly the witnesses will be here.

*Gohiriwyd y cyfarfod rhwng 10:49 ac 11:07.
The meeting adjourned between 10:49 and 11:07.*

**Sesiwn Ddilynol gydag Ofcom ynghylch y Rhagolygon ar Gyfer Dyfodol y
Cyfryngau yng Nghymru
The Future Outlook for the Media in Wales: Follow-up Session with Ofcom**

[246] **Christine Chapman:** We are now reconvening, so a very warm welcome to Ofcom. First of all, could I invite the panel members to introduce themselves for the record?

[247] **Mr Thickett:** Yes, I will start off. My name is James Thickett; I think that I am waiting for a nameplate. I am Ofcom's director of nations and market development, so I oversee Ofcom's offices in Scotland, Wales and Northern Ireland, as well as all its research activity.

[248] **Mr Williams:** I am Rhodri Williams, Ofcom's director for Wales.

[249] **Mr Davies:** I am John Davies, chairman of Ofcom's Welsh advisory committee.

[250] **Mr Mathias:** I am Glyn Mathias, the Welsh member on the content board and also a

member of the advisory committee.

[251] **Christine Chapman:** Welcome to you all. I know that you have provided a paper. Members will have questions, so if you are happy, we will go straight into those questions, and I will start off. I wonder if you could just give me a brief outline of your structure in Wales and how your work in Wales is reflected and represented within the overall decision-making process of the organisation. I do not mind who starts.

[252] **Mr Thickett:** I will start with that, happily, and then I may pass on to Rhodri to explain in a little more detail. We have an office in Wales that has been there since Ofcom was formed, back in 2003, which Rhodri heads up, with a small team. The Wales office is involved with virtually every part of Ofcom's work. So, Rhodri will engage with various project teams at Riverside House, whether it is to do with consumer protection, competition or public service broadcasting. There will either be a person representing the Welsh perspective, or it will be through me, representing the perspective of Wales among the other two nations as well. The Welsh office is in regular contact with Riverside House. Rhodri probably travels up there most weeks, and he sits on a variety of committees and steering groups. So, the main point is to ensure that each of the nations is plugged into the day-to-day work of Ofcom as much as possible. We also meet the three nations' directors and I speak with them on a daily or weekly basis, and we have a formal monthly meeting where we discuss issues that are common to each of the nations across the UK. That is from an executive point of view.

[253] We also have an advisory committee for Wales, which is chaired by John Davies. That meets six times a year, and the purpose of the advisory committee is to advise the Ofcom executive of issues relevant to the markets that we regulate across Wales. In a typical advisory committee meeting, various live projects across Ofcom will be presented, normally by the most senior person running that project. The committee will have the opportunity to ask questions, to give guidance and to suggest any changes, which, in many cases—and I think John can explain some examples—have been taken on board.

[254] The third thing I would like to say is that we also have a body called the content board, which is a sub-committee of the main board, which Glyn sits on. The content board is responsible for decisions relating to broadcast content, particularly quotas, content standards, licensing and public service broadcasting. That body meets on a monthly basis. Glyn and I sit on that body, and Glyn acts as the main link between the decisions made on the content board and the advisory committee and the executive in Wales.

[255] **Christine Chapman:** We will move on to some of the questions because we can then explore some of these themes in more detail. I will bring in Gwyn first.

[256] **Gwyn R. Price:** Good morning, gentlemen. Glyn, you are a representative on the content board.

[257] **Mr Mathias:** Yes.

[258] **Gwyn R. Price:** Is there a representative from Wales on the main board?

[259] **Mr Thickett:** We do have a non-executive director on the main board who is responsible for Wales, and that is Dame Lynne Brindley. She is responsible for representing the interests of Scotland, Wales and Northern Ireland. She chairs a body called the nations committee, which is a body that meets four times a year and is made up of the advisory committee chairs. So, she is the person who represents Wales on the main board.

[260] **Gwyn R. Price:** So, she covers a couple of portfolios really and a couple of jobs, but not directly.

[261] **Leighton Andrews:** I have never heard of her. What is her background?

[262] **Mr Thickett:** She has been a non-executive director for the past two years. Her background is that she was chief executive of the British Library. She is the chair of the Ofcom nations committee. She is also the master of Pembroke College, Oxford.

[263] **Christine Chapman:** Before you bring you back in, Gwyn, with the nations committee, can you tell us a little bit more about why it was set up and what impact it has had?

[264] **Mr Thickett:** When Ofcom was set up in 2003, part of the Office of Communications Act 2002 set up a body called the content board to represent issues around content, standards and licensing that were particularly relevant for the nations. What we found was that, increasingly, there were issues that were not related to content that were becoming more and more applicable to Scotland, Wales and Northern Ireland, particularly broadband roll-out and mobile coverage and take-up. So, it was decided that there would be a benefit to bringing together the advisory committee chairs in a formal body, as a sub-committee of the main board, to enable them to have a direct link into the main board, which gave them a forum to express any issues, advice and guidance that they felt were relevant. So, the nations committee has now been going since 2010, and we believe that it has very successfully brought together many of the issues in the nations, such as, for instance, the recent licensing of 4G, which was quite a big issue in each of the nations.

11:15

[265] **Christine Chapman:** Okay, thank you. Are there any other responses?

[266] **Mr Davies:** Yes, I have just taken over as chairman of the advisory committee, but I have been on the committee for several years. The advisory committee has been able to input, via the nations committee, straight to the main board of Ofcom, and, as a result, this has proved to be an effective channel. For example, one of the things that concerned us in Wales was the lack of emergency roaming facilities between different mobile operators, and as a result of direct input from the Welsh advisory committee, the nations committee endorsed it, the main board endorsed it and emergency roaming was introduced, firstly, for the benefit of Wales and, secondly, for the rest of the UK as well. So we actually changed not just Wales's position, but the UK's.

[267] James has mentioned the requirements on 4G. Another one would be the channel 3

licence being turned into a licence dedicated entirely to Wales and losing the west of England. My experience of it so far is that it is an effective channel for the needs of Wales to be represented, listened to and policy changed because the designated board member for the nations committee and the nations operates, in my observation, as an effective contributor to the main board and there is a second main board member who sits on the nations committee as well. I have only attended one nations committee meeting because I have only just taken over, but one of the things that we were concerned about in Wales was DAB coverage and radio coverage in Wales and how that was going to work out. We are particularly sensitive about that, because it is very similar to the problems with mobile coverage in Wales. I was able to get the nations committee to agree to have a comprehensive session on radio, including the DAB issues, as part of an agenda for a later meeting this year.

[268] Another issue that came up, which is a Welsh issue, is the degree to which it is not just a consideration of citizens and consumers as domestic consumers, but of consumers as business consumers, and, particularly in a Welsh context, small business consumers. As a result of representing the issue for Wales, the Ofcom research team has been able to broaden its research on small businesses and their relation to communications. I could go on about other issues, but I will stop there. All I would say is that my observation is that it does work representationally, the board member does actually take Welsh, Scottish, Irish, or even English issues, to the main board effectively and they do get considered and policy gets changed, not just for Wales, but for the whole of the UK, as a result of that. I think, probably, given our recent track record, we have been able to punch slightly above our weight, which is how it should be.

[269] **Christine Chapman:** Thank you. Gwyn, do you want to go back to your questions?

[270] **Gwyn R. Price:** Given your track record, what is your response to Professor Tom O'Malley's suggestion that Ofcom prioritised the interests of industry over the interests of the public and that this is one of the fundamental problems faced by people trying to reform the governance of the media in Wales?

[271] **Christine Chapman:** Who would like to answer that?

[272] **Mr Thickett:** I will answer that and possibly pass it on if I need to. It is not a thing that I recognise, having spent eight years in Ofcom. I will give you an example. We are about to publish our annual plan this year. The plan is based around five strategic priorities, four of which are focused on the consumer or the citizen, whether they are around protecting people from harm, broadcast standards, promoting opportunities to participate or ensuring that people have the right information to make their decisions. I think that Ofcom has been criticised in the past, certainly in the early days, for being very heavily competition-focused and focused on the industry. That is something that has changed hugely over time, and I think if you just look at the newspapers over the last couple of days where we have published our complaints figures for telecoms and pay TV operators, it shows how far we have come on the side of the consumer.

[273] So, we are entirely focused around the consumer and the citizen. Where we do act on competition issues, it is entirely about making sure that there is a good consumer outcome at

the end of that. I think that there is very specific—

[274] **Gwyn R. Price:** So, you do not think that the criticism is fair.

[275] **Mr Thickett:** It is not something that I recognise. Ofcom has made enormous efforts over the years to be on the side of the consumer. That is where our focus is in our plans. Was there a specific criticism around broadcasting in this?

[276] **Gwyn R. Price:** He says that it leans a lot towards industry, rather than towards the public.

[277] **Mr Thickett:** The example that he was giving, I think, was around the decisions made in the public service broadcasting review in 2007 where Ofcom had to make a decision to balance the costs and benefits of the ITV licence. This resulted in us reducing what we call non-news content in Wales from three hours a week to 90 minutes a week. This was a decision that was made based on the risk of ITV handing its licence back, so our overriding concern here was to make sure that audiences continue to benefit from public service programming. Our priority here was on original content and on news. We have managed to maintain that by awarding ITV a licence for the next 10 years in which those two elements are absolutely protected from an audience point of view.

[278] **Christine Chapman:** Peter, did you have a question?

[279] **Peter Black:** Yes. The Silk commission came to the conclusion that that was not the case to devolve the regulation of broadcasting to Wales. Is that a view that Ofcom concurs with?

[280] **Mr Thickett:** I think that it is really a matter for Parliament to decide that. We do not have a view on this particular thing.

[281] **Peter Black:** It also recommends that the responsibility for S4C should be devolved to the Welsh Government, along with the transfer of the expenditure relating to that. Obviously, you are not going to express a political view on that, but does that present any difficulties from a regulatory perspective if that went ahead on that basis?

[282] **Mr Thickett:** I think that if we were instructed of a specific regulatory change we would do our best to make that work within the powers that we have. That is all that I can say to that.

[283] **Peter Black:** Would you need to adjust the way that you work, and would you need more resources to regulate a wholly devolved S4C?

[284] **Mr Williams:** I think that the answer to that is ‘no’, given that we currently are responsible for regulating the content of S4C’s programmes, alongside the S4C authority, which also has a role in regulating the content. There is an overlap there. We do that currently, and regardless of the constitutional arrangements, we would continue to do that. To be honest, the number of complaints that we get regarding S4C programmes is very low.

[285] **Mr Mathias:** I also wish to point out that the Silk commission recommended that the regulation of broadcasting should not be devolved. Ofcom currently regulates some 2,000 television and radio stations, which are currently licensed in the UK. That is what he recommended should not be devolved. He did recommend that the Assembly should have more of a role in relation to broadcasting in terms of appointments and various other issues. I must say that, from my personal point of view, that would be very welcome. The Assembly should play a bigger role in many aspects because there are some big challenges ahead.

[286] **Peter Black:** Should the Assembly play a bigger role in making appointments to Ofcom?

[287] **Mr Mathias:** I am referring, in very general terms, to the role of the Assembly.

[288] **Peter Black:** Okay.

[289] **Christine Chapman:** I now turn to Leighton.

[290] **Leighton Andrews:** I have no questions at this point.

[291] **Christine Chapman:** I therefore turn to Jocelyn.

[292] **Jocelyn Davies:** May I just press you on this? It did seem that, when you were explaining the remits and so on, there were a lot of layers there. So, why is there not just a Welsh member on the board—just a member representing Wales? That is the Silk commission recommendation. Professor Tom O'Malley's criticisms, I think, are about this fact that there is no democracy in relation to the governance of Ofcom, and that that is why you do not have a focus on the customer.

[293] **Mr Thickett:** The first thing that I would like to say is that appointments to the board are at the discretion of the Secretary of State. The Act allows her to appoint between three and six members to the Ofcom main board. Putting that aside, I think that our priority is to make sure that the needs and interests of the people of Wales are represented in the most effective way possible. It may seem very bureaucratic. Actually, it is not very bureaucratic. Ofcom is quite a small organisation, relatively, and those two fora, which are the content board that Glyn and I sit on and the nations committee that John, Rhodri and I sit on, deal with 90% of the issues that are relevant specifically to Wales. These feed—

[294] **Jocelyn Davies:** Do not forget the daily conversations that you have got to have with him. All of this seems to involve a lot of layers and a lot of complexity. That is how it appears to me, anyway—

[295] **Mr Thickett:** Well, the complexity is about—

[296] **Jocelyn Davies:** So, you do not recognise that there is any justification for these criticisms at all?

[297] **Mr Thickett:** We think that the system is working really well. We do not think that there is a problem that we need to address at the moment, but we would be keen to hear whether people felt that there was an issue. However, we feel that the needs of the people in Wales are very well represented through the content board, the nations committee and the advisory—

[298] **Jocelyn Davies:** Well, obviously, Professor O'Malley from Aberystwyth University, who gave his submission to the task and finish group of this National Assembly, certainly felt that. He did not base it on something historic. He felt that that was a problem. He said:

[299] 'It is staffed at the highest levels by people with a particular, market orientated view of what how the media should be run, a problem that has blighted the development of policy ever since.'

[300] **Jocelyn Davies:** That is what he says. He said that there should be more democracy in relation to the governance of Ofcom, but you do not accept that.

[301] **Mr Thickett:** I would say—

[302] **Jocelyn Davies:** And you are not even aware of his criticism.

[303] **Mr Thickett:** No, we are aware of his criticism. I would not accept that there is a market-dominated view of the media in Ofcom. I would say that we are extremely consumer-focused in Ofcom in everything that we do.

[304] **Christine Chapman:** I know that Leighton wants to come in here.

[305] **Leighton Andrews:** May I ask about the employment terms for Ofcom advisory committee members? Are they publicly advertised?

[306] **Mr Thickett:** They are.

[307] **Leighton Andrews:** Are people appointed with an expectation of a commitment to equality and human rights issues?

[308] **Mr Thickett:** Could you—

[309] **Christine Chapman:** Could you repeat that, Leighton?

[310] **Leighton Andrews:** Is there an assumption that people appointed to the advisory committee would have a commitment to equality and human rights issues—diversity and things like that?

[311] **Mr Thickett:** Oh, sorry, yes. Yes, absolutely.

[312] **Leighton Andrews:** Would people be asked whether they were or ever had been members of male-only clubs or clubs that do not admit women to membership?

[313] **Mr Thickett:** Not explicitly.

[314] **Leighton Andrews:** Do you think that they should be?

[315] **Mr Thickett:** We ask people, obviously, to declare that they are supportive of equality and human rights. We do not actually actively investigate their backgrounds.

[316] **Leighton Andrews:** Okay, thank you.

[317] **Jocelyn Davies:** Ignorance of equality issues is not—*[Inaudible.]*

[318] **Mr Williams:** One thing worth adding to that is that, although the appointments to the advisory committee are Ofcom appointments, they are not public appointments as such. However, we adhere to the processes that would apply to public appointments and we get an independent advisor to join the panel. It is also our custom and practice to liaise with both the Welsh Government and the Secretary of State for Wales before conducting the final round of interviews.

[319] **Christine Chapman:** John, do you want to come in?

[320] **Mr Davies:** Yes. One of the things we have done—because we are in the process of a recruitment exercise for new members at the moment—is make sure that the advertising of the post goes out in digital media as well as through some of the more traditional channels for recruitment.

[321] **Leighton Andrews:** Mr Davies, are you a member of the Cardiff and County Club?

[322] **Mr Davies:** No.

[323] **Leighton Andrews:** Have you ever been?

[324] **Mr Davies:** No.

[325] **Jocelyn Davies:** What about St Andrew's Major Golf Club? There is a list—*[Laughter.]*

[326] **Mr Davies:** No.

[327] **Christine Chapman:** Right, okay.

[328] **Mr Davies:** I am not sure how relevant this is to the committee, but if you are challenging my credentials—

[329] **Leighton Andrews:** No, I am—

[330] **Mr Davies:** No, no. This is important. I am married to somebody who, for a

substantial period of her career, was assistant general secretary, deputy general secretary and general secretary of a union. I think that, if I was operating on any basis other than one of equality and human rights, that would not have survived. [*Laughter.*]

[331] **Gwyn R. Price:** Good answer.

[332] **Christine Chapman:** We are going to move on now to issues around the channel 3 licence. Rhodri, do you have any questions?

11:30

[333] **Rhodri Glyn Thomas:** Beth yw arwyddocâd y ffaith bod y cytundeb ar gyfer ITV Cymru ar ôl 2015 ar gyfer Cymru yn unig, yn hytrach na Chymru a gorllewin Lloegr?

Rhodri Glyn Thomas: What is the significance of the fact that the agreement for ITV Cymru Wales after 2015 is for Wales only, rather than for Wales and the west?

[334] **Mr Williams:** Yn hanesyddol, mae'r drwydded wedi bod yn drwydded Cymru a gorllewin Lloegr, ar wahân i ddyddiau cynnar teledu annibynnol, lle'r oedd trwydded ar wahân i orllewin a gogledd Cymru, ond ni pharhaodd hynny yn hir iawn. Yr hyn sydd yn bwysig yn ein barn ni yw ei fod yn ei wneud yn haws i amddiffyn buddiannau ychwanegol sydd yn bodoli yng Nghymru, sydd ddim yn bodoli yn rhai o ranbarthau Lloegr. Rydym o'r farn, ac mae hyn wedi cael ei ddweud yn y lle hwn ar sawl achlysur, bod cyfraniad sianel 3, yn hytrach nag ITV fel cwmni—pwy bynnag sydd yn dal y drwydded honno—yn gyfraniad hynod bwysig o ran plwraliaeth yn y cyfryngau, a bod mwy o angen hynny yng Nghymru nag yn rhanbarthau Lloegr. Mae hefyd ei angen yn fwy yn yr Alban ac yng Ngogledd Iwerddon. Felly, mae gosod Cymru fel endid ar wahân i Loegr yn y cyd-destun hwn yn bwysig, achos mae'r anghenion rhaglenni rydym yn eu gosod fel amod o'r drwydded yn uwch ar ddeiliaid y trwyddedau yn yr Alban, Gogledd Iwerddon a nawr yng Nghymru. Felly, mae gwahaniaeth clir yn bodoli rhwng anghenion y drwydded yn rhanbarthau Lloegr a'r hyn sy'n bodoli yn y cenhedloedd datganoledig. Mae hynny, yn ein barn ni, yn ei wneud yn gliriach ac yn haws. Pe bai perchenogaeth ITV yn newid yn

Mr Williams: Historically, the licence has been a licence covering Wales and the west of England, apart from in the early days of independent television, where there was a separate licence for west and north Wales, but that did not last for very long. What is important in our view is that it makes it easier to protect the additional interests of Wales that do not necessarily exist in some of the English regions. We are of the view, and this has been expressed in this place on a number of occasions, that the contribution of channel 3, rather than ITV as a company—whoever holds that channel 3 licence—is an extremely important contribution in terms of plurality in the media, and that there is a greater need for that in Wales than in the English regions. There is also a greater need in Scotland and in Northern Ireland. Therefore, placing Wales as a separate entity from England in this context is very important, because the programming requirements that we set as a condition of the licence are greater on the licence holders in Scotland, Northern Ireland and now in Wales. So, there is a clear distinction that exists between the requirements for the licence in the English regions and what exists in the devolved nations. In our view, that makes the situation more transparent and easier to understand. If the ownership of ITV was to change in the

y dyfodol, byddai'n haws cadw at yr anghenion gwahanol hynny, yn hytrach na bod rhywun yn ei weld fel rhywbeth a oedd yr un peth â Lloegr. Nid wyf yn gwybod a yw Glyn eisiau ychwanegu rhywbeth.

future, it would be easier to adhere to those requirements, rather than someone seeing it as something that is exactly the same as the situation in England. I do not know whether Glyn has anything to add on that.

[335] **Mr Mathias:** During the negotiations between Ofcom and ITV over the renewal of the channel 3 licence, I pushed particularly hard for this change. I thought it was a statement of the obvious—[*Inaudible.*]—Wales and the west in terms of the politics of today. I agree absolutely with what Rhodri has said about the change underpinning the programme commitments for Wales being separate and different from England. Lastly, it does, at least in theory, raise the possibility that the Welsh licence in any new franchise round could be treated differently and separately to ITV's licence for England, and that it could be sold or bought separately. It could ultimately, at least in theory, be another holder of that licence.

[336] **Rhodri Glyn Thomas:** Rwy'n ymddiheuro am ddod â beirniadaeth arall o Ofcom ger eich bron, gan eich bod eisoes wedi wynebu beirniadaeth. Dywedodd Ron Jones yn ddiweddar bod amodau trwydded sianel 3 o ran ITV Cymru, yn ei farn ef, wedi llacio i'r fath raddau fel mai prin yw'r cyfraniad i Gymru yn economaidd, neu o ran darlledu cyhoeddus. Roedd hefyd yn feirniadol nad oedd Ofcom wedi gwneud digon i ddiogelu buddiannau Cymru o ran y drwydded sianel 3. Rwyf yn derbyn fod hynny yn wahanol iawn i'r dystiolaeth rydych newydd ei rhoi i ni. Sut ydych chi'n ymateb i'r feirniadaeth honno?

Rhodri Glyn Thomas: I apologise for bringing another criticism of Ofcom before you, because you have already faced criticism. Ron Jones said recently that in his opinion the conditions of the channel 3 licence in terms of ITV Cymru Wales had been relaxed to such a degree where it provided a marginal economic benefit to Wales, or as a public service broadcaster. He also criticised Ofcom for not doing enough to safeguard the interests of Wales in terms of the channel 3 licence. I accept that that is very different to the evidence that you have just provided to us. How do you respond to that criticism?

[337] **Mr Thickett:** The last PSB review, which reported in 2009, recommended a reduction of non-news programming from channel 3 from three hours a week to 90 minutes. This was, in our view, necessary to balance the costs and benefits of the ITV licence. At the time, ITV was threatening to hand back its licence. For us, it was about agreeing our priorities for audiences in Wales. The two priorities were original content and news. What we have managed to do since 2009 is maintain ITV news content at four hours a week and non-news content at 90 minutes. We set that out in a licence for Wales that will now last for 10 years, as part of which ITV has guaranteed not to come back with a begging bowl for more compromises. So, we are confident that we have the best deal for the channel 3 licence for the next 10 years for consumers in Wales.

[338] **Mr Mathias:** If I may add to that, you have to go back to the situation in 2008-09. James referred to the difficult position that ITV was in at that stage. It was not just Ofcom, but also the Government of the day that took the view that the position was sufficiently serious for it to intervene. If you will recall, the Government set aside a considerable sum of money to create three pilot projects whereby the news slot on ITV in the three regions of the

UK, of which Wales was one, would be taken over by an independent news consortium. I was part of that process and we actually appointed an alternative provider, if you will recall—those with long enough memories. The incoming Government scrapped that project, perhaps in the knowledge that, by this time, ITV was strengthening. It has, over the last few years, got better management, stronger programming, and stronger advertising, and it is now in a much better place than it was five years ago. This is historic criticism, if you like, about what happened five or six years ago, but now what we have is the security of knowing that, for the next 10 years, this level of programming will be sustainable. That is the understanding. Ofcom has made it absolutely clear that we do not expect ITV to come back in the next few years claiming that it needs to cut its programming again. The agreement is that there will be a sustainable commitment for the next 10 years.

[339] **Rhodri Glyn Thomas:** Geraint Talfan Davies said that the financial problems facing ITV Wales were its own fault; that it had failed to face up to the challenge of multimedia broadcasting and was pleading poverty. So, going back to the situation in 2009 and the conditions placed on the new licence, do you think that it is appropriate for Wales, or is it based on the fact that ITV Wales was facing difficulties and you were concerned that it could not manage to provide more than four hours of news and 90 minutes of non-news programmes per week?

[340] **Mr Mathias:** It was much more the financial position of ITV as a whole, and less the financial position of ITV Wales, I think, which was behind all this. The new level of programming, which is greater than is provided for in the English regions, is a minimum, if you like. I agree with the Ofcom advisory committee for Wales, which said that this is a minimum amount of programming to create plurality, as against the BBC. I think that that is right, but that minimum will be maintained under this new licence agreement.

[341] **Jenny Rathbone:** Making decent news and current affairs programmes costs money, so what is your regulatory role in ensuring that ITV delivers on the contract that is set? Obviously, it is not just about the number of minutes of public service broadcasting content; it is about the quality of that content.

[342] **Mr Thickett:** Shall I answer that? Obviously, as you know, ITV is subject to quotas, which we monitor every year, but as you say, those are around minutes. We also do extensive consumer research on an annual basis to find out what consumers actually think of the programmes that they are getting. We publish that every year in a document called the PSB annual report, along with spend and viewing data and output data. So, we have a constant flow of data as to what we call the state—the health—of public service broadcasting, which we monitor every year.

[343] **Jenny Rathbone:** So, once a year you have them in.

[344] **Mr Thickett:** We talk to consumers and, if consumers identify issues with the quality of the programming, we take that up with broadcasters. There is a further element. Our last PSB review concluded in 2009, and it is in a future public service broadcasting review that we would normally go into much more depth and examine any issues coming out of the quality of programmes.

[345] **Jenny Rathbone:** So, there has been no review since 2009.

[346] **Mr Thickett:** No, there has not been a review since 2009. As is probably commonly known, we are currently working on scoping the next one out.

[347] **Jenny Rathbone:** Given the explosion in the technology that enables every citizen, practically, if they have a mobile phone, to be a broadcaster, ITV has just told us that what differentiates it from Joe Public is that it has integrity, impartiality and accuracy in what it is doing. How do you regulate that?

[348] **Mr Mathias:** Shall I answer that? The answer is that it is done through the broadcasting code. The code has many sections in it, but it covers impartiality, harm, offence, accuracy, fairness and privacy. Ofcom is a post-broadcast regulator. So, if complaints are made to us, we pass judgment, as you are aware, and those judgments are publicised.

[349] **Jenny Rathbone:** How often do you have them in to discuss this?

[350] **Mr Williams:** We do not have them in, as such, on a regular basis to discuss that. We discuss complaints, as Glyn said, as and when they arise. Our engagement with ITV Wales, and with the management who were with you earlier, is continuous. So, I would see senior management at ITV Wales three or four times a year, as I would the BBC, S4C and, to a lesser extent, commercial radio broadcasters in Wales as well. It is a part of what we do to keep in touch not only with the senior management at those institutions but to be aware of the programmes that they are producing and any issues that arise over time. So, there is a constant dialogue, if you like, about what it is that they are putting out and our response to complaints, on the one hand, and proactive research undertaken by us into people's responses to that content is something that is ongoing; it is a permanent piece of work.

[351] **Jenny Rathbone:** So what powers, if any, do you have to ensure that ITV, the parent company, is investing sufficiently in Wales to justify the retention of the ITV Wales contract?

[352] **Mr Thickett:** We do not have powers, as such, but we keep it to its quotas. We have agreed content output that it has to adhere to. We monitor very closely the spend as well. So, if there was a wide diversion between the hours that it is meant to broadcast and the amount of money that it is investing, that would ring alarm bells.

[353] **Jenny Rathbone:** So you do not just monitor the number of minutes that it is broadcasting of public service broadcasting; it is also about the amount of money invested in it.

[354] **Mr Thickett:** We monitor by law the number of minutes as part of the quota agreement, but we also track expenditure through data that we collect from ITV. This gives us a fuller picture, along with viewing and audience perceptions, as to what is going on. So, it gives us a rounded picture of how well it is delivering its public service broadcasting commitments.

[355] **Christine Chapman:** Jenny, before you move on, Leighton has a very quick supplementary question.

[356] **Leighton Andrews:** Could you help us with some of the information that we were seeking from ITV earlier in terms of transmission since the ITV Cymru franchise has been awarded? I realise that it only really kicks in in 2015, but one of the issues that we raised was the fact that many homes may still be tuned to digital terrestrial reception from the north-west of England, for example, rather than Wales. Do you have any data that you can supply to us on that?

11:45

[357] **Mr Williams:** We have some data on that. It is quite some time since we undertook it. From correspondence received from Assembly Members or Members of Parliament, it is clearly an ongoing issue. The one thing that I would say about it is that there are no technical barriers. There are no structural reasons why, for people living in north-east Wales or south-east Wales, if they want to receive a service from a Welsh transmitter, it should not be possible. There are some places along the border where the only place they can get terrestrial television from is England. They are places on the extreme eastern border, in Powys mostly. In north-east and south-east Wales it is technically possible, but the problem is either from deliberate choice that their aerials are pointing in the wrong direction, or that they have moved into a house where the previous owner had decided to point the aerial in the wrong direction. It could be that they are simply not aware of the fact that they could switch it and point it at a Welsh transmitter, or they are happy to receive their news from—

[358] **Leighton Andrews:** How old are your data, Rhodri?

[359] **Mr Williams:** I think that we undertook that research in 2006.

[360] **Leighton Andrews:** You could refresh.

[361] **Mr Williams:** It is something that we can certainly take away and have a look at. When we had a lot of correspondence from Members of Parliament on this, we produced a consumer guide on digital TV reception in north-east Wales, which gives people fairly specific guidance on what is available. I am happy to make this available to the committee.

[362] **Christine Chapman:** If you would, that would be good. We are moving on now at a pace. Jenny, do you have any more questions?

[363] **Jenny Rathbone:** Yes. Going back to radio, you mentioned earlier that some of the problems around radio reception were similar to those experienced by people around mobile phone reception. Would you like to give us a bit more information on that, in terms of enabling people to get radio reception?

[364] **Mr Williams:** Generally speaking, people are well served by radio networks in Wales. The only exception that I would make to that is that BBC Radio Wales's FM availability is not as good in north Wales as that of BBC Radio Cymru. Radio Cymru has only existed on FM and was there before Radio Wales went to FM. One of the disadvantages

of FM technology is that shortage of frequency does create problems and those problems are exasperated in a country that has the kind of topography that Wales has. Up until now, that has been the only issue. However, the advent of digital audio broadcasting has thrown up a completely new set of challenges. There are two single frequency networks, one owned by the BBC and the other a commercial one. The BBC single frequency network makes available BBC Radio 1, 2, 3, 4, 5, 6 and the extras and the Asian network across large parts of Wales. It started off from a fairly low base and has built up to around 90% coverage now. Unfortunately, from a decision taken before Ofcom came into existence, BBC Radio Cymru and Radio Wales, along with all of Wales's commercial radio stations, are broadcast on local multiplexes. Ofcom has licensed local multiplexes for each part of Wales. Cardiff and Swansea, for a long time, were the only ones that were actually on the air. We have seen some progress since then—north-east Wales has been launched, as has south-west Wales and mid Wales, which have been joined together so that they were licenced earlier. We await the launch of the north-west Wales DAB multiplex later this year. It is an improving picture, but I do not think that it is one that is improving as fast as anyone would like. Certainly, I know that the BBC has been very frustrated at the pace of that roll-out, as have some of the commercial players; however, in the recent three to four years, finding the money, be it from the public purse or from the private sector, to fund that investment that is needed, has been a tough task. That, I think, is why we have not seen the progress being faster.

[365] **Christine Chapman:** Jenny, before you move on, Janet had a question from the last section, and I know that Peter has a question on this specific thing. I will then go to Janet and then we will come back to you.

[366] **Janet Finch-Saunders:** Okay. Before we move on quickly, going back to the point that Leighton raised, I do hope that your document covers north Wales, as in the Conwy valley, because I have hoteliers who are losing out in tourism because they have visitors who come and are really disappointed when they cannot access channels. Perhaps I can raise that with you at another time.

[367] **Christine Chapman:** I am sorry; can I bring Peter in first on this specific point?

[368] **Janet Finch-Saunders:** I am moving on to the radios now.

[369] **Christine Chapman:** No, I am calling Peter on this specific point that Rhodri raised. I will then come back to you.

[370] **Peter Black:** On the DAB point, I know that the Government is very anxious to sell off the FM frequencies as soon as possible, but, as far as I understand it, in terms of DAB coverage, at what point would you say that Ofcom would lay down where DAB coverage has to be at a fairly large coverage before you would even countenance that sort of sell-off?

[371] **Mr Davies:** Ofcom was asked to advise on a technical view of DAB coverage, and it provided some advice to Government earlier this year, prior to the most recent announcement by the UK Government. The effect of the announcement was to delay any decision on specific timing. Having said that, as I mentioned earlier, Ofcom at the centre and at the nations committee has agreed now to have an extensive discussion on radio issues in the

round, but in particular including DAB. One of the things that the advisory committee has been able to raise, and that has been accepted by the nations committee and the two board members concerned, is our concern about what availability actually means and what coverage actually means. If you look at things technologically from a transmission point of view, you can reach one set of conclusions. If you look at it from a received point of view of the citizen, you may reach a very different set of conclusions. One of the things that we have been concerned about, on behalf of the citizens of Wales, because of the experience on mobile, is that quite a lot of radio is listened to when you are on the move. That does not only mean that you need a car with the capability to receive it, but you also need to be able to pick up the transmission on the move. One of the technological problems with DAB is that, with FM, if the signal gets weaker the sound gets quieter—

[372] **Jocelyn Davies:** It just disappears.

[373] **Mr Davies:** It gets quieter before it disappears. With digital—

[374] **Peter Black:** It just goes.

[375] **Jocelyn Davies:** It just goes.

[376] **Mr Davies:** That is it. It is on/off; there is no degradation.

[377] **Jocelyn Davies:** Even when you are not moving.

[378] **Mr Davies:** Potentially. Particularly on the move, where the on/off can be triggered by woodland, a large bridge, a small hill, or even a large building, there are issues about reception—and there is only a point in listening to a radio programme if you can receive it—and what availability and coverage means. It is also an issue within a fixed static location. I may have one digital-receiving radio in my house, but I may also have three FM-receiving digital radios spread elsewhere in my house. How you treat the coverage and the availability, and whether it is just the one radio where I can receive it or whether the whole of my house can receive it, as it does with FM, is part of the issue for consumers. These are themes on which there is to be an Ofcom nationwide discussion because it is particularly peculiar to Wales and it is certainly peculiar to Scotland because of the topography in both places. Funnily enough, it will also be peculiar to some of the more urban and unlikely centres when you are on the move. Some of you may have DAB in your cars and you may have experienced this. So, this is a real issue, but the Government has taken a longer view in the most recent announcement. There will be further input from Wales and from the nations committee to Ofcom and no doubt, from there, elsewhere.

[379] **Mr Williams:** I would just like to add that if and when switchover occurs is not an Ofcom decision. That is a decision for Government. What it has stated so far is that switchover can only be made once 50% of all listening is digital, UK-wide DAB coverage is comparable to FM and local DAB reaches 90% of the population and all major roads. Those are the thresholds that must be met according to what the Government has said.

[380] **Peter Black:** Do the thresholds include the availability of DAB radios in cars,

because that is a particular issue with manufacturers, is it not?

[381] **Mr Williams:** It certainly is because most listening to radio happens in cars. It is not a formal threshold. Currently—just to give you the figure—the percentage for listening to digital radio in the UK is at 35.6%, so on one criterion there is some way to go.

[382] **Jocelyn Davies:** I do not find it very reliable at home sitting in one place. When I am moving around in the car, I have to tell you, I have to switch back from DAB—it is hopeless.

[383] **Peter Black:** I can get it at home, but I cannot get it in the office upstairs on the radio there.

[384] **Jocelyn Davies:** Even if you could, it might just go off.

[385] **Christine Chapman:** Janet is next.

[386] **Janet Finch-Saunders:** On community radio stations, you will be aware that there are eight currently on air and that the Welsh Government has dropped the annual funding of £100,000. You said to the task and finish group, which I was on, that you recognise that local commercial radio is expensive to deliver but that the public values the services. Tudno community radio in my constituency is a really valued asset. It was set up a few years ago with a lot of public money. Now, it is fair to say that it is massively struggling to keep going. In addition to the finance issues, there are regulatory burdens. It says here that you have taken active steps to reduce the regulatory burden on community radio. Can you advise on that and the commercial side as well? Just on that one, it is not allowed to advertise, so how does a community radio that has had the plug pulled on its funding, but that is really valued by many listeners, continue if it is not allowed to advertise?

[387] **Mr Williams:** The challenges facing not only Tudno FM, which I am very familiar with, but the other stations on air already—and there are four new community stations due to come on air shortly—in terms of funding, are substantial because some of them, according to the terms of the Communications Act 2003, are forbidden from attracting any money from either advertising or sponsorship. Some of them are limited to raising only 50% of their funding from commercial sources. So, the challenges are big and, clearly, the Welsh Government's community radio fund that operated between 2008 and 2013 has been an important source of assistance to those stations in Wales. That has been distributing £100,000 a year between eight or nine stations. Ofcom also administers a DCMS community radio fund, which has £500,000 for all of the stations in the UK. So, comparatively, that is a much smaller amount of money. I think that the good news is that there are changes afoot, which Glyn can tell you about—

[388] **Mr Mathias:** Specifically on your point about advertising, I am on the content board and ACW has also recommended that the restrictions on advertising should be lifted. There is currently a DCMS consultation on this very issue, and it is proposing to lift the restrictions—to remove what is called the 50% rule—and to allow those who are not allowed to advertise at all to advertise at least up to 50%. Those are the two issues. At the moment, there are two levels of restriction. One is a complete ban on advertising for some community radio stations,

depending on the nature of the commercial competition. The second is the 50% rule, which allows them to raise up to 50% of their income through advertising. Both of those are being considered now by DCMS. It is a current consultation, and I strongly recommend that you respond to it.

12:00

[389] **Janet Finch-Saunders:** Yes, if you could let me have some details on that, that would be great. Moving on to the Welsh language, what constructive discussions have you had with the Welsh Language Commissioner with regard to how Ofcom considers issues around the Welsh language in carrying out its functions and what would be the implications of these discussions?

[390] **Mr Thickett:** I will take that one, because I have personally been very heavily involved in these discussions. Where we were a few month ago, we had a point of difference with the Welsh Language Commissioner regarding the extent of our powers to enforce Welsh-language provision in commercial radio licensing. We were quite clear that the law did not support us doing this. Therefore, we decided to engage in really constructive discussions with the Welsh Language Commissioner to try to find a way through this and we think that we have got to a stage where we have agreed with the commissioner a form of words that will help prospective licensees understand the potential role of Welsh-language programming when they apply for a licence.

[391] We have done this by amending what are called the 'format guidelines'. Format guidelines are basically guidelines for prospective and current licensees that explain what is expected of them when they apply for a certain format. What we have done is clarify that any licensee who wishes to meet the local needs and interests of listeners should consider that broadcasting a local language, particularly the Welsh language, which is an official language, would be considered part of meeting local needs and interests. What it does is clarify the potential role of the Welsh language for potential licensees and we managed to do that without having to change the law. We have agreed this with the Welsh Language Commissioner and it is now on our website. Therefore, we feel that that is a very constructive and happy outcome for everybody.

[392] **Christine Chapman:** We only have about 10 minutes left, because we have more witnesses later on and we are running short of time. I have Jenny, Jocelyn and Mike to come in, but I know that Leighton wants to come in specifically on that and then I want to go straight to Jenny, so that we can complete the session.

[393] **Leighton Andrews:** If you have managed to clarify this without changing the law, does that mean that you now accept the Welsh Government's position in imposing the obligation to you within your Welsh language scheme?

[394] **Mr Thickett:** We think that it is slightly more subtle than that, because what we are trying to do is communicate to potential licensees that it is entirely appropriate to broadcast content in the Welsh language in order to meet local needs and interests. The problem with the existing scheme was that localness was merely defined as broadcasting content that meets local needs, but it was not defined in terms of a language. What we have done is to clarify

that. It would have required a change in the law to actually instruct licensees that they have to broadcast in the Welsh language and we felt that that was not an appropriate course of action.

[395] **Leighton Andrews:** Your view of the law is that you would have had to have a change in the law, but I am not sure that that is the Welsh Government's view of the law.

[396] **Mr Thickett:** This is the problem, because—

[397] **Leighton Andrews:** I had to put that on the record; that is all.

[398] **Mr Thickett:** —we were going around in circles with two different views of the law. In fact, the only sensible thing to do was to come to a compromise that we felt addressed the spirit of what the law was trying to achieve and I think that that is what we have done.

[399] **Jenny Rathbone:** I think that the issues that I wanted to raise have been covered.

[400] **Christine Chapman:** Okay. Jocelyn, did you want to come in?

[401] **Jocelyn Davies:** Yes. You found a way through that and that is always better than going off to the courts, I am sure. You decided, then, to use licence conditions in order to reach the same point. Let us hope that it would be the same point. What about that in relation to local TV licences then? Does the same apply to that?

[402] **Mr Thickett:** Local TV licensing is slightly different. I can probably pass on to Rhodri or Glyn, who actually do that.

[403] **Jocelyn Davies:** So, this solution, then, might not apply to local TV licences.

[404] **Mr Williams:** It certainly does not apply, because of the rules in relation to local TV. It is a completely different licensing process and Glyn can come on to that in a minute. However, what we can say is, of the locations that have currently been identified and for which licences have been issued—that is Cardiff, Swansea and Mold—in each case, the winning bidder has included in the application that it is their intention to produce material in Welsh. So, there will be material in Welsh on each of those stations as they launch.

[405] **Jocelyn Davies:** Did you have something to add, Glyn?

[406] **Mr Mathias:** I just wanted to add that, as you probably know, we did not award a licence in Bangor.

[407] **Jocelyn Davies:** I was going to come on to that. [*Laughter.*]

[408] **Mr Mathias:** I pre-empted you. We did not award a licence in Bangor. I am deputy chair of the broadcast licence committee for the whole of the UK. This was because we felt that the business plan that was put forward was not sustainable for the licence period. It included certain assumptions about advertising revenue per household that we felt would not be sustainable for the period, and we have to consider sustainability—that is one of the

criteria we have to consider under the legislation, and we follow the legislation very precisely when we are making these considerations—and so, consequently, we felt that we could not award that licence.

[409] **Jocelyn Davies:** DCMS, however, has identified it as a viable location.

[410] **Mr Mathias:** That is not quite how it works. Initially, Ofcom asks for expressions of interest, so you have to have expressions of interest and you have to have some available spectrum. There was available spectrum. This was, however, a very small licence area in terms of the number of households covered, so it was always going to be a little more difficult than some of the bigger ones. There is a great contrast between this and some of the bigger ones.

[411] **Mr Thickett:** It was technically viable.

[412] **Jocelyn Davies:** It was technically viable.

[413] **Mr Williams:** One of the things to bear in mind is that, when the whole idea of local tv was launched by the previous Secretary of State, the areas that were identified as being possible locations were simply located, as they have to be, where there are big transmitters. So, Cardiff, Swansea, Mold, Bangor, Carmarthen and Haverfordwest simply are the places where you have Wenvoe, Kilvey Hill, Moel-y-Parc, Llanddona, Carmel and Preseli. So, because digital terrestrial television was the platform to be used, there was no way of saying, ‘Where do we think there would be a community of interest?’ or ‘Where do we think this would serve community interest best?’ It simply had to be, ‘Where is there a big transmitter?’

[414] **Jocelyn Davies:** Where the hardware, where the stuff is.

[415] **Mr Williams:** Yes.

[416] **Jocelyn Davies:** I just have a quick follow-up in relation to that. I just wondered; Made in Cardiff is obviously the Cardiff one, and it is going to cover the Valleys, Newport and Bridgend. Do you think Newport is going to be very keen on Cardiff tv? [*Laughter.*]

[417] **Mr Williams:** I think that it is a question for the licensee to decide how they cover the needs of the area. We look forward to seeing it on air.

[418] **Leighton Andrews:** [*Inaudible.*]—if they do not call themselves ‘Made in Cardiff East’. [*Laughter.*]

[419] **Christine Chapman:** Mike is next.

[420] **Mike Hedges:** Briefly, turning to broadband, what specific issues does Wales face that impede broadband uptake? Do you feel that sufficient work is being done to mitigate them?

[421] **Mr Davies:** In my past history, apart from running the UK network, I was

responsible for introducing broadband to the UK, and also for doing local loop unbundling. So, I have some perspective on this. Ofcom's primary role in relation to broadband uptake in Wales has been to remove the barriers to entry, and removing the barriers to entry has come about through, first of all, standardising arrangements for installation, maintenance and cost payments, but, much more importantly, by standardising the arrangements for interconnect, allowing new entrants to come into the marketplace without having to build their own fundamental telephone network, with cabling duct, poles, et cetera. The first stage of that was to open up interconnect at exchange level, with local loop unbundling, in 2000, and at that time I was able to sign the UK, or BT, into that, as the first European administration to support that. That barrier to entry has been removed. Subsequently, barriers to entry about interconnect further into the local network at cabinet level, interconnecting with fibre, have also come down, with Ofcom removing the barriers from that, saving the need for an alternative entrant to provide an alternative physical network. There has been improved information supply by Ofcom in relation to speeds to help consumers make their decisions. However, a lot of the issues trade on the position of a supplier regarding it as being in their commercial interest. There is freedom of entry without any material barriers, as I said, because Ofcom has demolished them, for that to take place. Then, if the provider does not think that there is any commercial interest, you need to resort to the idea that there is market failure, apply the EU rules on state aid and go down the road of public intervention. The role of Ofcom in relation to that has been that that is, essentially, a matter for Government and the appropriate authorities. However, Ofcom has been providing regulatory and technical advice, particularly in relation to Superfast Cymru.

[422] There is another strand to the take-up in Wales in Ofcom's experience, which is highlighted by the figures, and that is the demand side and, in particular, the degree to which, in areas that are not commercially seen as justifiable by any entrant, demand stimulation has taken place. Ofcom in Wales has had discussions with the Welsh Government on that, based on past observation of what has happened in the market in Wales, where there has not, perhaps, been as much market stimulation. There is concern about whether the public interventions are possibly—and I do not have any material facts for this—providing a level of commitment on demand stimulation. However, that is a matter for the Welsh Government.

[423] Ofcom has had it drawn to its attention that, when you put in a new cabinet—and BT Openreach is the BT arm that would do this—that would be an interconnection point that any entrant could then connect up. So, it is a free for all. Therefore, you can make people aware of the fact that superfast broadband is available to them by putting a BT Openreach label on the cabinet. Strangely, in at least one local authority area, there has been opposition to this, which would be diminishing the amount of public information that would be available in support of the growth of the market. So, there is an issue on the demand side. It is primarily an issue for those who are suppliers and those who are behind public intervention. Ofcom has taken down barriers to entry fairly comprehensively, and it remains keen to provide additional advice on the regulatory regime and any other obstacles that are getting in the way.

[424] **Christine Chapman:** I do not think that the committee has any other questions, so, on that note, we will draw this session to a close. Thank you all for attending; it has been a very useful session. We will send you a copy of the transcript of the meeting so that you can check it for factual accuracy. Thank you for attending.

12:13

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod
Motion under Standing Order 17.42 to Resolve to Exclude the Public from the
Meeting**

[425] **Christine Chapman:** I move that

the committee resolves to exclude the public from item 6 of the meeting in accordance with Standing Order 17.42(ix).

[426] I see that Members are content.

*Derbyniwyd y cynnig.
Motion agreed.*

*Gohiriwyd y cyfarfod rhwng 12:13 ac 13:03.
The meeting adjourned between 12:13 and 13:03.*

**Trafod Adroddiad y Comisiwn ar Lywodraethu a Darparu Gwasanaethau
Cyhoeddu
Discussion of the Report of the Commission on Public Service Governance and
Delivery**

[427] **Christine Chapman:** Good afternoon. This item on the agenda today is a discussion of the report of the Commission on Public Service Governance and Delivery. To set the scene for this item, Members will be aware that the First Minister established a Commission on Public Service Governance and Delivery in April 2013. The commission was asked to look at the way that public services are governed and delivered in Wales and how they may be improved. As you know, the commission published its report on 20 January 2014, and I know that the report will be very familiar to all of us.

[428] So, today's session is an opportunity to discuss the report with the chair of the commission and some of his fellow commissioners. I give a very warm welcome to the panel, first of all to Sir Paul Williams, chair of the commission, Nick Bennett, commission member, Nerys Evans, commission member and Gary Owen, commission member. Welcome to you all. All of us will have read the report very carefully. We appreciate your attending today. Members have a series of questions on the report. We understand that you cannot make any comment on what the Welsh Government may or may not do with the report, but we are interested in how you came to the findings of the report. I will start off by asking whether you feel that you have any real main messages that you would like to impress upon the Welsh Government and the committee and about the extent to which the remit and the requirement to maintain the existing health board boundaries confined the way in which you made your recommendations.

[429] **Sir Paul Williams:** Prynawn da. Thank you, Chair, for the introduction. I bring apologies from Lord Bourne, Juliet Luporini and Councillor Ali Thomas.

[430] In terms of a few key messages, if I may, we believe that our report identified critical, fundamental and unavoidable challenges for the whole of the devolved public sector in Wales and how these can and must be mitigated and managed. It is hard to briefly describe the report, because it is 115,000 words, as you know, and has 62 recommendations. However, the public sector faces critical, fundamental and unavoidable long-term challenges in terms of austerity and demographic changes. One of the messages that came across while taking evidence is that I do not think that some of our colleagues really understood the severity and depth of the austerity and the challenges. You might want to dwell on that.

[431] However, we have to say that some of these challenges are not unique to Wales. They are challenges that are being faced across the developed world. I have been talking recently to colleagues in Australia, New Zealand and Tasmania and exactly the same sort of messages, although their economic situations are different, and challenges are recognised across the developed world.

[432] We believe that to do nothing, or just to muddle through, is not practical or, indeed, acceptable. Neither do we believe that piecemeal or uncoordinated change will achieve anything. For instance, we feel that if we were to just reduce the number of local authorities, that alone would make little difference. So, this issue about the way in which we have these interconnected recommendations—you may want to explore that—is terribly important. We are looking for a fundamental shift in the purpose of public services and how they have been structured, delivered and led. Therefore, I think that we are looking, really, for nothing short of a systematic approach to make this shift, to have a coherent programme for reform to the structures, processes, governance systems, values and leadership. In that, we have identified and we took some considerable time before we started to look at the practicalities of defining what we described as six interrelated dimensions: complexity; scale and capability; governance, scrutiny and delivery; leadership, culture and values; performance and performance management; and the role of Welsh Government itself.

[433] We do not expect everybody to agree with everything that is in the report. However, we hope—I know—that your committee will play a key role in helping the rest of the Assembly and the Assembly itself to understand the scale and nature of the challenge. Equally, we think that it is important, in terms of your committee's role, to hold the Welsh Government to account in terms of how it responds to our report and its recommendations.

[434] So, I think, Chair, that I will leave it there. In terms of the comment about whether we feel constrained by the terms of reference, I do not think that we did. The terms of reference were extremely wide. We were aware of the caveat around the boundaries of the health boards, but I think that that was understandable, because they are fairly recent in terms of their formation. Transitional change takes time and they are only three to four years into that. So, we did not think that it would be wise to actually throw—

[435] **Christine Chapman:** So, that was not a problem.

[436] **Sir Paul Williams:** No. We did not see that. It was a given, but we could actually see the reasons for it, but, clearly, the issue about coterminousity will come into play in our conversations.

[437] **Christine Chapman:** Before I open this up to other Members—I know that they want to explore some of the themes and the detail—I just want to ask a question. There is the suggestion that the recommendations in the report need to be implemented as a whole. Therefore, what would be the implications if some recommendations were taken forward and others were not? Could you just give a view on that?

[438] **Sir Paul Williams:** I think that that is at the heart of our six interrelated dimensions. For instance, I used the example of our proposal to merge local authorities, but it can apply elsewhere. One of the first pieces of evidence we took was from regulators, and we were testing the six dimensions on them. They all said how important leadership, culture and values were to a person. So, if we were just to make structural change without addressing how we would improve leadership, and how we would underpin that with a set of values and change culture, very little would actually change in reality. There is a lot of research around that very issue of what makes for a successful change programme and what does not. So, we believe that these six dimensions support and underpin, and are all interrelated.

[439] **Christine Chapman:** Thank you. Is your question on this particular point, Leighton, because I know that Peter wants to come in on the next section?

[440] **Leighton Andrews:** It is on leadership, Chair. How do you distinguish between political leadership and the leadership of a public service by professionals?

[441] **Sir Paul Williams:** I think that they are different. The point that we—

[442] **Leighton Andrews:** It does not really come out in your report, I think.

[443] **Sir Paul Williams:** Okay. Let us be clear—our definition of leadership is not an elite band of people at the top of an organisation. You find leaders throughout organisations. So, we are very generic in our reference to leadership as opposed to leaders. We are pretty clear that, given the new challenges ahead, we need to have leaders who think differently. It is no longer about running services. It is very much about systems thinking; it is very much about how you work with communities, social enterprise, the private sector, and public sector bodies; and it is about how you think internationally, how you think about benchmarking and how you build up capability for innovation. So, it really is a whole set of thinking. Some of those criteria and objectives would apply equally to political leaders, I am sure, but we were talking more generically about having a cadre of leaders throughout organisations.

[444] **Leighton Andrews:** I have read your report; I know all of that. My question is this: how do you distinguish between political leadership and the leadership, say, of a chief executive or a service leader in an authority?

[445] **Mr Bennett:** I am not sure whether this will answer your question entirely, Leighton, but I take on board where you are coming from. One of the themes that we picked up on here

was about the infantilisation of local service provision and, I think, under those circumstances almost a lack of subsidiarity. We had senior people, be they elected politicians or chief executives—certainly the chief executives—telling us that they were spending 60% of their time going from partnership meeting to partnership meeting. Under those circumstances, you have a lack of local accountability. The distinction between the leadership exercised by the chief executive in a local authority or the leader becomes irrelevant if they are saying that for 60% or 80% of their time they feel more accountable to Welsh Ministers than they do to local leaders.

[446] **Leighton Andrews:** That is a fair point, but where is democracy in this?

[447] **Mr Bennett:** Our point would be: where is local democracy? In effect, where is the accountability for what should be local services? I think that a number of our recommendations do support localism. We had a number of debates around whether some services could be better operated at a national level. We came out in favour of localism, but scale is an issue here. Complexity is an issue here. If you do not get the right level of scale you have more complexity, less transparency, less local democracy, and less local accountability.

[448] **Sir Paul Williams:** We are talking—

[449] **Christine Chapman:** Perhaps Nerys could come in first, and then perhaps we can bring Sir Paul in.

[450] **Ms Evans:** We have made a distinction with regard to political leadership in some of the recommendations to do with a clear mandate for the programme of government on a local level. We had lots of evidence where that was missing, which led to a lack of governance and scrutiny mechanisms in local authorities, where that lack of political programme of government or manifesto process is in place. So, we do have recommendations in there that deal with that because that was a specific issue—we did see a lack of political leadership as defined in terms of a manifesto programme for government.

13:15

[451] **Sir Paul Williams:** The other point is that we spent some time looking at citizen governance and the role of politicians in engaging local communities. We were quite taken with some of the work in Monmouthshire on the really tough questions and the way that political leaders are actually going out to talk to the general public. There is also a separation in my world between what I call the executive and non-executive roles. Political leadership is very much about being engaged in the community, defining and developing policy and the execution is the role of the executives.

[452] **Leighton Andrews:** In a sentence, the one thing I found missing from your report was: why would anybody want to be a councillor?

[453] **Sir Paul Williams:** Public service.

[454] **Mr Bennett:** I think that that comes back to the question of why anyone would want

to take up any board appointment if they do not get to make decisions. Without this local subsidiarity and localism, which we are trying to support—and the reason for the interrelation between those different things—. That is really the critical point to get across. Why would anybody want to enter any level of public office, either through the elected or the appointed route, if they could not make a difference?

[455] **Christine Chapman:** Nerys, do you want to come in?

[456] **Ms Evans:** I think that that is fair in terms of the scrutiny and governance functions in terms of current structures in some places. They are absolutely not up to the job of scrutinising the performance of services—not just in local authorities but in health boards as well. That is a valid question in terms of the current governance and scrutiny functions that we have.

[457] **Jocelyn Davies:** Can I—

[458] **Christine Chapman:** Hang on, Mark wants to come in as well. Peter, do you want to come in on this?

[459] **Peter Black:** How is changing the structure going to change all of that? This point about mandate is a political failing; it is not a structural failing or an organisational failing. Equally, this point about insufficient scrutiny is a political failing. It can partly be down to structure and organisation but, essentially, it is down to the competence of the elected politicians. So, how is this new structure going to be any different to the old structure?

[460] **Mr Bennett:** I do not think that we ever said that this was simply structural, which is why Sir Paul pointed out that this is not just about reorganising local government—it is about culture. We were very keen on the idea that, actually, culture beats strategy and that, actually, when it comes to cultural behaviours and the politics—going back to this question of who would want to be a councillor—the point here is that, if you are trying to exercise accountability over appointed officials within local authorities, with 60% of their resources devoted to social services or education, when, in the vast majority of cases, those units are not fit for purpose to deliver on their own and have to enter different and complex partnerships—. During the course of our work we have found 935 public bodies in Wales; we still cannot tell you how many partnerships exist—

[461] **Peter Black:** More than 700 were community councils—

[462] **Mr Bennett:** Well, we still cannot tell you—. We can give you a number, but my point is that we still cannot tell you how many partnerships exist in Wales. There is a lack of accountability and that comes back to scale.

[463] **Sir Paul Williams:** May I just return to your point, Peter, about scrutiny and what is going to change? I think that Nick is right about this cultural point. Good governance, in my view, relies very heavily on the importance of scrutiny—

[464] **Peter Black:** Yes.

[465] **Sir Paul Williams:** I do not think that, at the moment, we recognise how important that scrutiny role is. We do not give the right priority and the support it might need in some of the developments. So, we saw some very good examples of scrutiny in Swansea, for instance—

[466] **Peter Black:** I think it is appalling in Swansea—

[467] **Sir Paul Williams:** Well, no. They may have been talking the talk, but, actually, the way in which it was being addressed and the structures—

[468] **Peter Black:** No, it is dreadful in Swansea—

[469] **Sir Paul Williams:** Okay, fair enough. Maybe, if that is the best example—

[470] **Peter Black:** Then God help us.

[471] **Sir Paul Williams:** Well, fine, but the way it was described seemed to be going along the right lines from strategic scrutiny right the way through to the very detail. However, the point that I am making is that, in other parts of Wales, we found very little commitment to the importance of scrutiny within the process. It needs a high priority—. Colleagues need to recognise that the scrutiny role is as important, for instance, as the cabinet role. That is the bit that needs to be worked on in terms of a cultural shift and change. The scrutiny needs to be effective and it needs to be constructive rather than being seen as a negative. So, there is a lot of work, in our view, required to build up the strength of governance and scrutiny in particular.

[472] **Peter Black:** I would not disagree with that at all, but why would the new structures, the new councils, be any different to the old councils when they are being run effectively by the same councillors?

[473] **Sir Paul Williams:** They will not, unless we have a heavy investment in a change of culture and values.

[474] **Peter Black:** What sort of investment would that be?

[475] **Sir Paul Williams:** Training and development.

[476] **Peter Black:** Well, there is training and development going on now. Swansea actually has a very good training programme, as do other councils.

[477] **Sir Paul Williams:** With respect, that training is not actually getting into a fundamental change in values.

[478] **Christine Chapman:** We have to look at a lot of detail here. Mark wants to come in, and Jocelyn, and then I would like to move on. Mark is first.

[479] **Mark Isherwood:** On leadership and who should guard the guardians, you said that it is about leaders at all levels, but the leadership culture will be set at the most senior level, whether you have a hierarchical centraliser or a motivator and delegator, which would bring out and enable that leadership at all levels. It will be the individual at the top who sets that, so how do we guard the guardians? How do we ensure that, whether it is a small or large organisation, it is smart, efficient and people friendly? Secondly, related to the scrutiny of other councillors, how do we deal with a situation where that culture will determine the advice that members receive and the extent to which they can scrutinise without being accused of being threatening or harassing, and at risk of being referred to the ombudsman? That has happened, unfortunately, in certain areas, on a number of occasions.

[480] **Sir Paul Williams:** It is going to take a lot of hard work. We rather liked the academy that has been set up, but some of the evidence that we had was that the academy is seen to be concentrating more on its own middle management level rather than having a really good leadership academy where those sorts of issues are discussed, and where you do start to develop a common set of values, so you do not have a charismatic leader to trample over everybody, and that is seen as the right role model. You build this up over time. That is why we are keen to look at this leadership issue across the whole of the public sector. It is more than motherhood and apple pie if we get it right. There is an issue here of what we describe as collective responsibility in terms of the way we address things, the way that we do business across the public sector, and the way that we demonstrate our set of behaviours—not to clone anybody, but to make sure that we underpin what we think is best practice. Again, it is about looking at what works well in other parts of the world and learning from that.

[481] **Jocelyn Davies:** Without proper scrutiny, as you have described, and accountability, are those local decisions legitimate? Can you have a legitimate decision without proper accountability and scrutiny? You might not want to answer that question. [*Interruption.*] Do you understand the question that I am asking? If people are making decisions locally and there is no accountability and no scrutiny, are those decisions legitimate?

[482] **Sir Paul Williams:** I suppose they are legitimate if they have some sort of democratic support. Whether they are credible at the end of the day may be another matter. That is why I think that only time will tell in terms of when things go wrong, and you start to analyse it to see whether there was the scrutiny and the governance? I think there is lots of evidence that some of the decisions that we are seeing at the moment are regrettable, and clearly there seems to be some sort of deficit in terms of governance and scrutiny. So, there is lots more work to do here. That is why we put it as one of our key dimensions.

[483] **Christine Chapman:** I will bring Garry in now.

[484] **Mr Owen:** On the issue of scrutiny, I can understand why you have asked that question: is it legitimate? I suppose the real answer and the truthful answer would be ‘perhaps not’. However, that is because the processes that we have at the moment for scrutiny clearly are not sufficient to actually call to account the decisions that are being made. That is the evidence that we have found. What we are proposing, effectively, is that that clearly has to change. The process of scrutiny, or rather lack of scrutiny, has to be addressed. On that point, I do not disagree with your comments about whether it is legitimate or not, but equally, it is

not for us to say. I think that what we are saying is that the processes that are in place at the moment are not sufficient.

[485] **Christine Chapman:** I will bring in Rhodri and then Peter.

[486] **Jocelyn Davies:** You got off there, Nick and Nerys.

[487] **Rhodri Glyn Thomas:** Rwy'n meddwl, yn ogystal â newid y diwylliant oddi mewn i gynghorau, fod yn rhaid newid y ffordd y mae perfformiad llywodraeth leol yn cael ei fesur, oherwydd mae enghreifftiau yng Nghymru lle mae awdurdodau lleol yn perfformio yn arbennig o dda ac yn ticio'r bocsys i gyd ynglŷn â pherfformiad, ond nid oes *scrutiny* ac nid oes atebolrwydd. Mae sefyllfaoedd wedi eu nodi gan yr archwilydd lle mae cyfarfod bwrdd gweithredol yn para am 18 munud ac, yn rhyfeddol, mae'n llwyddo i gymryd 15 penderfyniad eithaf pellgyrhaeddol o fewn y 18 munud hynny. Fodd bynnag, wrth fesur perfformiad llywodraeth leol, byddai'r awdurdod lleol arbennig hwnnw yn gwneud yn arbennig o dda.

Rhodri Glyn Thomas: I think that, as well as changing the culture within councils, we have to change the way that local authority performance is measured, because there are examples in Wales of local authorities performing particularly well and ticking all the boxes in terms of performance, but there is no scrutiny and there is no accountability. There are situations that have been noted by the auditor where an executive board meeting has lasted for 18 minutes and, amazingly, succeeds to take 15 quite far-reaching decisions within those 18 minutes. However, in measuring local government performance, that particular local authority would be doing particularly well.

[488] **Christine Chapman:** Who would like to answer that?

[489] **Sir Paul Williams:** I suppose that you cannot criticise decisions if they are taken efficiently. It might be a reflection of the quality of the reports that have been put forward, and that there is a balance in terms of the pros and cons associated with something. If the decision has just been taken off the cuff, as it were, without the research or the right sort of papers, it may not, over time, actually stand. However, I think that this comes back to the point that, whichever way we look at it, what the regulators were telling us was that a lot of our public services—I am not talking about just local government—are poor and patchy. So, if we can get that consistency across the public sector and lift it up to the best practice internationally, that will be the big step up and the big step change. Whether the quality of the decisions taken then would still stand up to scrutiny, I doubt it.

[490] **Christine Chapman:** Nerys and then Garry want to come in.

[491] **Ms Evans:** Y peth mwyaf brawychus a ddaeth allan o'r dystiolaeth oedd y gwahaniaeth mewn perfformiad rhwng mudiadau yn y sector gyhoeddus a'r diffyg ymwybyddiaeth ar lawr gwlad am y gwahaniaethau hynny. Yn amlwg, mae'n

Ms Evans: The most frightening part of the evidence that we received was the difference in performance between various organisations within the public sector and the lack of awareness at grass-roots level of that. Obviously, it has an impact on scrutiny and

effeithio ar *scrutiny* a'r *democratic deficit* os nad yw pobl yn gwybod beth yw perfformiad eu gwasanaeth lleol nhw, boed yn sector llywodraeth leol neu yn ieuchyd. Roedd lot o ddryswch ymhlith y rheini a oedd yn darparu gwasanaethau ynglŷn â pha ddata neu ddata perfformiad oedd bwysicaf. Felly, roedd dryswch ynglŷn â blaenoriaethau. Er enghraifft, roedd Estyn eisiau rhyw fath o ddata, roedd y Llywodraeth eisiau data gwahanol a llywodraeth leol eisiau data gwahanol mewn meysydd gwahanol, ac rwy'n credu bod dryswch ynglŷn â beth yw'r pethau pwysig. Wedyn, mae modd i'r bobl sy'n delifro gwasanaethau guddio tu ôl i'r dryswch hwnnw a dim ond cyflwyno'r data sydd o fudd iddyn nhw, sydd eto yn creu mwy o ddryswch wrth graffu ar berfformiad ar lefel leol.

the democratic deficit if people do not know what the performance of their local service is, be it in the local government sector or health. There was a great deal of confusion expressed by those providing services as to what data or performance data were most important. So, there was confusion about priorities. For example, Estyn wanted a certain sort of data, the Government wanted other data and local government wanted other data in different areas, and I think that there is confusion about what the important issues are. It is then possible for the people who deliver services to hide behind that confusion and just present the data that puts them in the best light, which again creates more confusion in terms of scrutinising performance at a local level.

[492] **Mr Bennett:** A allaf i ddweud hefyd ein bod yn gwybod ei fod yn anodd weithiau i wahaniaethu rhwng yr hyn sy'n mesur y mewnbwn a'r allbwn, ond y peth mwyaf pwysig yw'r effaith ar y dinesydd a sut ydym ni'n mynd o gwmpas hynny? Rydym ni'n sôn yn yr adroddiad am sut y gallwn ni sicrhau bod gennym ni gyfundrefn sy'n canolbwyntio llawer mwy ar ganlyniadau ar gyfer y dinesydd.

Mr Bennett: May I also say that we know that it is difficult, sometimes, to differentiate between what measures the inputs and outputs, but the most important thing is the effect on citizen and how we go about that? We talk in the report about how we can ensure that we have an arrangement in place that concentrates much more on results for the citizen.

[493] **Mr Owen:** Just briefly on the scrutiny issue and, by the way, 18 minutes is probably a good example, in terms of some of the evidence that we received, for a scrutiny committee—

[494] **Rhodri Glyn Thomas:** No, that was the executive board.

[495] **Mr Owen:** Oh, I see; yes. In terms of scrutiny, what we did not see was any examples of predetermination in scrutiny, so, in other words, scrutinising the issue prior to a decision being made. We did not have any examples of that, which we found—

[496] **Jocelyn Davies:** Appalling.

[497] **Mr Owen:** Absolutely.

[498] **Mike Hedges:** The Welsh Government stopped us doing it.

[499] **Peter Black:** It is a sign—*[Inaudible.]*

[500] **Mike Hedges:** Yes.

[501] **Christine Chapman:** Right, if we can move on, Peter, I think that you wanted to come in next on collaboration.

[502] **Peter Black:** I just wanted to say that the selective use of data is a national Government issue as well as a local government issue, but let us move on from that. The portrayal of this report, at a very crude level, by politicians, basically, is that we are going to have bigger councils that are going to provide more efficient services, and there is going to be less collaboration as a result of that. However, it seems to me that, irrespective of whatever number of councils you arrive at, you are still going to have collaboration, partnerships and regional working imposed by the Welsh Government in different regions. So, I am just concerned, in a sense, that we will go through this whole process and still have the same issues that you have highlighted as problems in this report, and, of course, there are examples of small councils providing good services, like Ceredigion and education, for example. Do you think that that is a reasonable criticism of where we are going as a result of your report?

13:30

[503] **Sir Paul Williams:** We are aware of those criticisms. Some of our recommendations may have been misunderstood. We are not saying that small organisations cannot provide good services; that is the first thing. What we are saying is that small organisations—and the evidence is there—tend to be at greater risk of not being able to provide services across the breadth of their responsibilities. So, they can often be good at one thing and not necessarily at a group of issues. If you look at Ceredigion, for instance, we are delighted with the success of Ceredigion in terms of its Estyn report, but it has not been that good in terms of the way it has provided strategic leadership according to the Auditor General for Wales. Ceredigion has not been so good in terms of the actual costs of education, and not so good in terms of the costs of road building. For us, it is partly a balance in terms of getting critical mass to reduce the risk as regards organisations being viable to provide services to meet that breadth of responsibilities, without being too large so as to be remote from local communities. So, that is where we have hit on this number between 10 and 12, which we might come on to later.

[504] We will never abandon and neither should we abandon collaboration and partnership working, unless we are going to have one completely monolithic, integrated organisation. What we have found for almost the last 10 years since the Beecham report—where collaboration was held up as being important, and it is—is that it has become an industry and hugely complex. The user is almost the last person to be considered; we have almost become obsessed with process around managing partnerships and collaboration, rather saying that it is essential. Where do we get the strategic focus on what we call the ‘cross-sectoral pinchpoints’ that should be really focused on, measured and have good governance in order to say, ‘Is this collaboration working?’, whether it is around delayed transfers of care, domestic abuse, substance misuse, or whatever? Whatever the real cross-sectoral pinchpoints in a particular area, is that collaboration and partnership really working?

[505] **Peter Black:** I think there is a difference between partnership and collaboration. That

is the first thing that I wanted to say. Concentrating and focusing on collaboration, one of the features of collaboration is that it tends to be short-lived and transitory, and one of the reasons for that is because priorities change for those people collaborating, and budgets change and different pressures apply to different councils. There are often also very complex legal agreements in terms of how you deliver the services. So, the question is: how is the report addressing the need for more permanent collaboration given all those factors, which are, in a sense, outside of everyone's control?

[506] **Sir Paul Williams:** I do not necessarily agree. It may be a question of semantics or what I am used to, but I do not think that collaboration is necessarily short-term. It is almost a way of life. The priorities change, and I think that that is part of the Government's scrutiny issue. If the organisations involved in that collaboration are not very clear about what the change in circumstances are and meeting those, you just have something that exists. It may be hitting the mark, and it may be way off the mark. However, where is the priority setting? Where is the monitoring? Where is the governance in that particular collaborative area?

[507] **Mr Bennett:** I do not want to get into semantics either, but here is an attempt at a semantic answer. Collaboration is a type of behaviour; it is not an outcome for any citizen. It is at best an output; it is not an outcome. If you are sending your kids to a failing school, the fact that the local council can turn around and say, 'Don't worry, we're collaborating with another set of failures or successes next door', makes absolutely no difference. It has to be about the outcome, and that is why we think that collaboration has become too much of a lazy term; there has been a loss of sight—a mission drift, if you like—in terms of what this was about. Originally, in relation to Beecham, it was a means to an end; the ends were better services. Eight years on, that has not happened. Also, in terms of other behaviours, there is a real cost that citizens across Wales, particularly in some local authorities, are paying. 'Innovation' is perhaps a more important term. There is a high risk for an elected or appointed official to be innovative in certain services that are currently very small. If you have a really small education department that is failing and you try to be innovative, if you fail, you are dead. If you come from a much larger, significantly scaled organisation, you do not face that risk. That means that people currently in poor performing areas—unfortunately, we saw an awful lot of poor performance in some of the smaller education authorities—face a much higher climb out of that area of failure. That is why, for us, it is not just scale in terms of efficiency, it is scale in terms of equity for the citizen.

[508] **Peter Black:** Now you are talking about scale and not collaboration. One of the big barriers to collaboration is the culture within the local authority. It seems to me that Beecham, Welsh Ministers and local authorities have never approached collaboration in any strategic way. They have just said, 'We want collaboration', and left people to get on with what it is. How would you define collaboration in a strategic way so as to achieve the objective that you want?

[509] **Sir Paul Williams:** There is a danger that we might start agreeing on this. [*Laughter.*] Our concern is yours, Peter. There is much frustration within the commission. We looked at areas that they did not seem to be able to recognise. I call them cross-sectorial pinch-points, but call them what you will. They are very obvious from the statistics, so why were the priorities not reflecting that? Why is it not being measured? Why are those

organisations not being held to account? Maybe it needs to be at the Welsh Government level, but somebody somewhere needs to hold court on that and say that there are different areas and different priorities, so why are they not being dealt with in terms of very clear measurable outcomes.

[510] **Peter Black:** More importantly, why is there no scrutiny of collaboration?

[511] **Sir Paul Williams:** Yes.

[512] **Peter Black:** I will hand the baton to Leighton now.

[513] **Christine Chapman:** No, Mike wants to come in.

[514] **Mike Hedges:** Very briefly, Peter has talked of collaboration a lot; what about the London Challenge, which was a hugely successful collaboration project?

[515] **Sir Paul Williams:** I do not want to disagree with you. What I was saying, and where Peter and I agree in terms of our frustration, is: where is the consistency?

[516] **Peter Black:** The strategic overview.

[517] **Sir Paul Williams:** Yes.

[518] **Mike Hedges:** What about a London Challenge across all the powers?

[519] **Sir Paul Williams:** There is the Gwent frailty project, which on the face of it looks—
[*Interruption.*]

[520] **Jocelyn Davies:** The one project that is constantly—[*Interruption.*]

[521] **Christine Chapman:** One at a time, please. I remind Members, before I bring Garry in, that we are coming up to the halfway point and we have quite a lot of ground to cover.

[522] **Mr Owen:** I was only going to make a comment on collaboration. The commission came to the conclusion in the end that, post-Beecham at least, collaboration was something that was talked about an awful lot but was never carried out.

[523] **Christine Chapman:** Mark wants to come in, and then I will move to Leighton.

[524] **Mark Isherwood:** Briefly, you will be aware that we produced a report before Christmas on collaboration in local government. Evidence to us from, among others, the Auditor General for Wales and the Cardiff Business School pointed out that collaboration must be subjected more, as well as practiced, in cost-benefit analysis. I understand that collaboration where one partner ended up showing the deficit of another partner would be illegal, unless the Welsh Government underwrote that deficit. That has already scuppered at least one collaboration between local authorities. What consideration have you given to the legal and financial constraints that are set for local authorities and sovereign bodies?

[525] **Sir Paul Williams:** What we need—. This is where Beecham might have failed in the implementation, although it may not be Beecham's fault. While that created a standard corporate governance template to deal with issues, if there are any weaknesses in terms of legislation, why are we not addressing it? Coming back to Beecham, it took local service boards years to work out their constitutions and corporate governance arrangements. Why was that not addressed early on? There was not a follow through in terms of the implementation of the concept. This is exactly the point that the auditor general was expressing concerns about. You have gone through all of this; it is not rocket science. It can easily be worked out with the public sector and small country governance.

[526] **Christine Chapman:** Leighton, you have some questions.

[527] **Leighton Andrews:** Let me start with where you just ended. I would make the same point that you have just made about—. When you have finished reading.

[528] **Sir Paul Williams:** Sorry.

[529] **Leighton Andrews:** I would make the same point that you have just made about local service boards, I suppose, about the regional educational consortia. One thing that I regret is that I did not impose a national model at the outset, but I did that for the very good reason that there are existing consortia and the assurances that one was being given were that they wanted to get on with the job rather than spend time adjusting to new structures. What that takes us to is that tension between central Government and local government, which Nick was referring to earlier on. One of the dangers, it seems to me, in your structure of 10 to 12, is that you end up with precisely the problem that Peter identified earlier, of not radically reducing—you would halve the number of authorities, but you will still need regional collaboration. Therefore, you will still need legislation to enforce that regional collaboration and penalties—since nobody ever does anything unless they are either instructed to do something or fined for not doing it—to back that up.

[530] **Sir Paul Williams:** We did talk about whether there needs to be some sort of new relationship between local government and the Welsh Government around some of these issues. There have been attempts to do this fairly recently—whether it is 'Making the Connections', 'A Shared Responsibility' or the Simpson review—but they have not quite worked and they may have added more complication into the system. We are hoping that our report may provide the foundation for this in terms of saying that Welsh Government, as it matures, may have to step out of the delivery role and much more into policy, measured outcomes and legislation, and that it needs to be much sharper about what its expectations are of the public sector, not just local government.

[531] **Leighton Andrews:** What about if something is laid down in legislation as a responsibility of a local authority? Let me give you the example of taking action when a school is clearly failing. If you find that no local authority has implemented the rules that are its statutory duty to observe, the Welsh Government can hardly stand back then, can it?

[532] **Sir Paul Williams:** No. Maybe there has been reluctance to step in earlier.

[533] **Leighton Andrews:** There has certainly been reluctance on the part of local government to step in earlier.

[534] **Sir Paul Williams:** As a nation, where is our collective responsibility to make sure that things are not going wrong? Often, when things go wrong, it hurts people in some shape or form. How can we actually make those steps earlier and where is that scrutiny to actually enforce it?

[535] **Leighton Andrews:** That is where we get to political leadership, I think.

[536] **Sir Paul Williams:** Yes.

[537] **Leighton Andrews:** In terms of the number that you have come out with, do you accept that there is a danger that you will still replicate that problem of having new structures but still needing regional collaboration?

[538] **Sir Paul Williams:** There is a danger. We looked at the criteria for all options. We were minded, on the one side, as you say, about critical mass. On the other side, you are losing localism. So, it was a call for us. You had the importance of coterminosity with the health boards, which we think is important—not just health boards; it is fire and rescue and police as well—

[539] **Leighton Andrews:** Did that inhibit your thinking—

[540] **Sir Paul Williams:** It shaped our thinking, as did the issue about European structural funds, which you may want to come on to. It was a criterion that we thought about. On the expert advice that we had, the dangers of putting large authorities together and maybe diluting or losing structural funding was just a risk that we did not feel right to take. If the advice had been different, we might well have gone for slightly larger authorities. However, that was our call in terms of our judgments. We felt it was just too great a risk to take, in terms of the overall wellbeing of the public sector in Wales.

[541] **Leighton Andrews:** Let us look at European funding for a minute. I have read what you have said, but I just was not 100% persuaded that you had made the argument. Do you want to set it out here?

[542] **Sir Paul Williams:** The argument in terms of the expert advice we had—

[543] **Leighton Andrews:** From the Welsh European Funding Office.

13:45

[544] **Sir Paul Williams:** Yes.

[545] **Leighton Andrews:** What about legal advice?

[546] **Sir Paul Williams:** It was our expert advice.

[547] **Mr Bennett:** Some of this came from me as well, but we checked it out with WEFO, just to make sure that I was talking sense, and I will try to rehearse it here again. Some of this will not require legal advice; it requires the work of a futurologist, for reasons that some of your other colleagues have raised with me at other times. Currently, Wales benefits, in terms of west Wales and the Valleys, from convergence funding. That is classified through GDP per capita over a time series of three years at NUTS level 2. NUTS level 2 units are designed around three units of local authorities, and the reason we get that money is because we changed the axis back in the 1990s from one that split rural Wales from industrial south Wales. So, we de-linked the wealthier Cardiff area and the Flintshire/Wrexham area, turned the axis around and got a lot more money.

[548] Who knows? In the longer term, the criteria could change, we could have a different union, and I do not know what the implications will be of certain debates—such as the one held on LBC last night—but, certainly, right now we have a regional policy and we have seen Wales qualify for, perhaps, much longer than we anticipated. It has been 15 years already.

[549] **Leighton Andrews:** Let me stop you for a second. If it is an issue of NUTS level 3, what you did not explore in your report, it seemed to me, was whether it was possible to define that in a specific way alongside the local authority boundaries. Could you have sub-regions that might constitute NUTS level 3?

[550] **Mr Bennett:** We are sorry if that is not spelt out clearly enough in the report, but as far as the Office for National Statistics is concerned, NUTS 3 is the local authority boundary. It was a discipline on us. I do not think that we ever felt constrained, but we had six months to look at all of this. In terms of expectations around greater integration of health and social care, a level of coterminosity between health boards and local government was really valuable. It is about this need to make sure that Wales qualifies. We do not want to see Wales qualifying for this stuff, but for the sake of a line, if it will cost us £1 billion, we will keep the line. We were trying to be pragmatic.

[551] **Leighton Andrews:** That is fine. I think that you have answered that now. My final question on this is: you have produced a view of what these authorities might look like, and that is of having 10 to 12 of them, but have you done any kind of analysis of what you think the sustainability of each might be, given that there is a lot of criticism—I will not name them—that you might arguably be putting together two that represent the poorest parts of Wales? Are they sufficiently sustainable in the long term? It may not be only that one; there may be other factors in other areas.

[552] **Sir Paul Williams:** In terms of looking at the average size of authorities in England, we thought that we were moving towards a sustainable size. There are some arguments where you say that, if you pull areas together, there are challenges, and that is the best way to attract and concentrate expertise into it to sort it out.

[553] **Leighton Andrews:** Therefore, your only sustainability factor was size.

[554] **Sir Paul Williams:** There are also cultural issues, language issues. There was a

whole raft of factors that we took into account to arrive at our number of between 10 and 12.

[555] **Christine Chapman:** I remind Members that I want questions on the report, because we are up against time now.

[556] **Jenny Rathbone:** I would like to follow up what Nick was saying about the whole issue of European funding determining the shape of the future map of local authorities. That is my major concern, because we are basing our methodology on something that is unknown for the next seven years, but it is a complete unknown after 2020. Yet, your report is endeavouring to come up with new local authority arrangements that are sustainable for a considerable period, and therefore produces the tail wagging the dog, in that the shapes of local authorities are determined by the current health board boundaries and the current pattern of distribution of resources coming from the European Commission. My concern is that it is not starting with the citizen and how the citizen relates to its local community, which is based on accessibility, history and all these things. A lot of it is to do with ‘Can I get to X by public transport?’ Therefore, that seems to me a more important consideration around creating sustainable communities that will fuel part of the same unit and, therefore, a sense of responsibility towards making sure that that unit is a successful one at delivering our public services.

[557] **Mr Bennett:** I think that that is a very fair point. If you look at the European map, currently, in terms of its division in north Wales, you will see that you have this line that does not really split north-east from north-west Wales, but it is very much a rural/industrial split that is a fair one. Much of it reflects the old Flintshire/Wrexham Maelor line. If you look at the line between Powys and Ceredigion, Powys and north Wales, and Powys and Dyfed, it is not a Williams line; it is a Tudor line. It has been there since 1536, so, history is on its side. That is certainly true as well, I guess, of the general division between Brecknockshire and the old Glamorgan, which would still exist.

[558] There is a question and a fair debate to be had in terms of city regions and the old split between the Valleys and the coastal plain of south Wales, but we are not saying that that type of collaboration should not continue. City regional planning, I am sure, will be very important. I would hope, as well, that European structural funds—ERDF—can be used for the metro and for transport links. We need that collaboration around the Valleys and the coast in the next European programme. So, I hope that that is of some reassurance.

[559] **Sir Paul Williams:** As I said, issues of culture and language were as important, and that is why we did not support the concept, maybe, of one north Wales local authority. We did take these issues into account; it is a mix of them. European structural funding would just be another dimension.

[560] **Christine Chapman:** Jenny, do you have any more questions on this matter?

[561] **Jenny Rathbone:** I have, but, I will come back in in a minute.

[562] **Mike Hedges:** You do cut across the fire and rescue boundary and you have also cut across the city region boundary where you are creating a local authority, half of which is in

one city region and half in another. Do you know of anywhere else in the world where that happens, where there is one local authority and two city regions? England still has county councils, which makes looking at its structure more difficult. The question that I want to ask relates to the fact that you looked at Scotland and at the number of councillors in Scotland; Scotland has three local authorities that are substantially smaller than Merthyr and one—the Highlands—that is roughly five times the size of Powys, yet you treat Powys as if it is untouchable because of its size. There are also three other Scottish authorities that are larger than Powys, and you seem to think that putting things together and treating them as large authorities is wonderful.

[563] Do you have any evidence that larger authorities in Wales are working so much better than smaller ones, because the results that I have seen show that the medium-sized ones are probably doing best? If that is the case, should we be looking to Birmingham as a local authority to aspire to and its social services department as one that we should be aiming to be like?

[564] **Sir Paul Williams:** As I said in my initial opening remarks around this issue, we are not saying that small organisations cannot provide good services. What we are saying is that the evidence is that they do not actually provide them across the breadth. We are not saying that large organisations are the best, that is why we have gone for the middle way in terms of the number of organisations that we are suggesting.

[565] In terms of Powys, I do not see Powys and the Highlands as actually—. Some of the highland areas that you describe have some quite large populations within them and Powys does not.

[566] **Mike Hedges:** You do not want to answer my question about city regions.

[567] **Sir Paul Williams:** I am sorry; yes. City regions are very much developing, and that policy was developing as we were working. We still see that as an evolving piece of work within which the local authorities will operate and collaborate, but, reducing the number of local authorities overall will make the collaboration within city regions easier in our view.

[568] **Mike Hedges:** My other question was whether you know of anywhere in the world where there is one local authority and two city regions.

[569] **Sir Paul Williams:** If you look at the area between Liverpool and Manchester, you have a lot of small areas looking east and west in that situation.

[570] **Mike Hedges:** Within formal city regions.

[571] **Sir Paul Williams:** Well, I am not sure how formal they are, actually

[572] **Christine Chapman:** Okay. Nerys or Garry, did you want to come in?

[573] **Mr Owen:** No, it is okay.

[574] **Ms Evans:** On the fire authority, we agree with you on that point. That is why there is a recommendation to change the boundaries.

[575] **Mike Hedges:** That would create huge problems for Swansea if that were the case.

[576] **Sir Paul Williams:** We have left it flexible. What we are saying is that it is not wise for one health authority to have two different fire officers giving them two different recommendations in terms of fire regulations.

[577] **Christine Chapman:** I want to move on now to the very important area of the costs and benefits of merging local authorities. I know that Jocelyn has some questions on this.

[578] **Jocelyn Davies:** Thank you, Chair. Did you take evidence from the Welsh Local Government Association on the costs of your proposed mergers?

[579] **Sir Paul Williams:** We did, and its evidence was useful.

[580] **Jocelyn Davies:** Good. [*Laughter.*] Did it actually give any supporting evidence for the view it came to? Did it show you its workings?

[581] **Sir Paul Williams:** We were aware of the methodology. Colleagues will have to refresh my memory on this. What we were surprised about was that it was making assumptions about what our costs would be when it did not have a clue what we were going to recommend. There was a figure of 15,000 job losses bandied about. I do not know how on earth that was arrived at because it certainly would not have been within our calculations. However, on the methodology that I understand the WLGA was working through with Deloitte, we used a similar approach but based it on our recommendations for mergers and the most recent experience in Cornwall. Then, we grossed that up to the Welsh situation and projected forward to around 2017. That is where we got our figures for recurrent savings of between £60 million and £80 million.

[582] **Jocelyn Davies:** So, is that the explanation for the difference between your estimates? Obviously, the difference between your lowest estimate and their highest estimate is about £320 million.

[583] **Sir Paul Williams:** Yes. I think that it also brought into its calculation—or Deloitte did on its behalf—the cost of borrowing, using commercial borrowing rates. That does not have to be the case at all.

[584] **Jocelyn Davies:** I see; all right.

[585] **Sir Paul Williams:** The other—

[586] **Jocelyn Davies:** Do you think that it has overcomplicated its calculations because the payback difference—. You say between 18 and 30 months. If the top end of its figure is right, it could be seven years or eight years, or something like that, rather than two and a half years, which is the top end of your estimation.

[587] **Sir Paul Williams:** I think that you have to question it on its assumptions. We have calculated ours on our recommendations of merging between 10 and 12, based on the most recent work in Cornwall. We have also seen work in Shropshire and in Durham that supports it on calculations. However, interestingly enough, since we have published our report, a very detailed piece of work has been done by Leicester—I think that Ernst and Young did that one—which actually reduces the costs even further. That is why we are proposing mergers as opposed to a large, slow classic local government reorganisation.

[588] **Jocelyn Davies:** Okay.

[589] **Sir Paul Williams:** You can take out the complexity, you can be fleet of foot, and you can actually enable the organisations to voluntarily start moving things. Above all, you reduce the disruption to the citizen in terms of changes in service.

[590] **Jocelyn Davies:** Okay, so you based your costs on what you knew you were going to recommend, whereas it did not have the benefit of that—

[591] **Sir Paul Williams:** Yes.

[592] **Jocelyn Davies:** So, in terms of the payback period, you say that you have some confidence that the payback period will be between 18 and 30 months. However, you also say that the costs that you have estimated are very rough estimates. So, how can you have some confidence in the payback period when you are saying that your estimates are very rough?

[593] **Sir Paul Williams:** Although they are rough—they are an estimate—they were based first on Cornwall, and the further work we saw in Durham and Shropshire and, now, Leicester has given us even greater confidence that that estimate is pretty good.

[594] **Jocelyn Davies:** Okay.

[595] **Mr Owen:** May I just say that the WLGA report and the assessments it made were based on the merger in Devon—a merger that never actually took place—whereas, obviously, our costs were based on mergers that did take place in Cornwall.

14:00

[596] **Jocelyn Davies:** So, when you told me earlier that you found it useful, it was of no use at all.

[597] **Mr Owen:** Not in that area; no.

[598] **Jocelyn Davies:** Other than that they were way off the mark, and the answer is something different.

[599] **Peter Black:** May I ask why you think—[*Inaudible.*]
—1995 reorganisation in Wales?

[600] **Sir Paul Williams:** It is because we are not suggesting that we should go down a classic reorganisation route.

[601] **Mike Hedges:** So, you go down the Powys route.

[602] **Sir Paul Williams:** No, we are suggesting the Cornwall route, or the Shropshire route, or the Durham route, or the Leicester route and then some parts of the Yorkshire route.

[603] **Leighton Andrews:** Do you get a culture change in that situation?

[604] **Sir Paul Williams:** I am sorry—

[605] **Leighton Andrews:** If you go through a merger process, how do you get the culture change?

[606] **Sir Paul Williams:** That has to be part of the managed programme, does it not? It is absolutely essential.

[607] **Leighton Andrews:** You are likely, are you not, to end up with the same officers?

[608] **Sir Paul Williams:** No; I think that it has to be based on the power leadership thing. It is about getting the very best people.

[609] **Leighton Andrews:** I just wanted to put that on the record. *[Laughter.]*

[610] **Sir Paul Williams:** We are actually very clear about that.

[611] **Christine Chapman:** We are all getting very excited at the moment. I will let Jocelyn to come in now. Can you please make sure that you come through the Chair, because I want to give everyone the opportunity to ask their question and to give our panel of witnesses the time and space to do this? I will now turn to Jocelyn, and then Gwyn, and then I have a few others who want to come in.

[612] **Jocelyn Davies:** In terms of culture change in relation to mergers, we have seen quangos in Wales merge with Welsh Government and absolutely no culture change take place at all.

[613] **Sir Paul Williams:** Sure.

[614] **Jocelyn Davies:** So, we have plenty of experience that mergers in themselves do not result in any change whatsoever. That was not a question.

[615] **Sir Paul Williams:** If it is badly managed.

[616] **Mr Bennett:** Also, if it is done in isolation. Surely the point here is that there are 62 recommendations. Most of the attention has been paid to the four that talk about reorganisation. We were not just saying that those lines on the maps need to change, as

everything needs to change. This has to be about a transformational change. That requires new culture, which takes time. It means freeing resources and a new deal, perhaps, between local government and central Government. There is probably no perfect spatial size for delivering all services, but we felt that the number that we recommend is a good and fair one to have coterminosity as far as we can with the health boards, and to deal with the 60% of local government budgets that are devoted to education and social services. That is the countervailing power here as well. Local authorities need to be trusted. That culture needs to change. Perhaps there needs to be more freedom, but they have to have the scale. It is the countervailing power that perhaps Galbraith would talk about, which means that you have a unit there that is capable of delivery.

[617] **Sir Paul Williams:** I do not want to go into too much of a management speak, but a new national performance framework, where they expect organisations to benchmark, to be best in class internationally and to drive that forward has to be part of the culture change and the deal.

[618] **Christine Chapman:** Okay. We turn to Gwyn next.

[619] **Gwyn R. Price:** Good afternoon to you all. You talk about rough estimates, and I know that the word 'rough' was denied a little bit there, but there are estimates one way or another. Would you agree with the First Minister's views that there is no need to conduct another exercise in terms of a cost-benefit analysis in relation to the merging of local authorities? Do you agree with him?

[620] **Sir Paul Williams:** I think that that is a matter for the Welsh Government.

[621] **Gwyn R. Price:** So, you are not going one way or another on that.

[622] **Sir Paul Williams:** No.

[623] **Gwyn R. Price:** Would you concur with the recent Wales Audit Office report that many local authorities in Wales do not have clear and realistic plans to deliver efficient savings? If so, how would merging local authorities achieve that?

[624] **Sir Paul Williams:** I would not question what the auditor general is saying. What we are concerned about is that if we do not address quickly this issue of mergers, virtually all of the savings will fall on front-line service rather than on starting to reduce bureaucracy. Any job loss is a bad job loss, but, nevertheless, you need to address bureaucracy or front-line service and actually look at the corporate overheads that could be reduced. If every local authority in Wales were operating the same corporate overhead as Rhondda Cynon Taf County Borough Council, there would be a saving of £36 million. So, it is a no-brainer to me. For example, £36 million equates to something like 1,000 teachers. Is it better to be addressing corporately some of these issues or to be shaving front-line service? That is how we will be looking at this.

[625] **Christine Chapman:** We are getting short of time and I want to move on to the issue of timing and the process for merging local authorities. Rhodri has questions on this.

[626] **Rhodri Glyn Thomas:** Rydych yn bendant iawn yn eich adroddiad bod yn rhaid derbyn yr adroddiad yn ei gyfanrwydd a'r egwyddor o uno cyrff sy'n bodoli yn barod yn hytrach nag edrych ar batrwm llywodraeth leol yng Nghymru ac ad-drefnu llywodraeth leol. Y broblem sy'n codi yw bod llawer iawn o'r cynghorau hyn eisoes â phartneriaethau neu brosesau o gydweithredu sy'n mynd yn groes i'r uniadau yr ydych yn eu hawgrymu. Pa ystyriaeth ydych chi wedi ei rhoi i hynny?

Rhodri Glyn Thomas: You are very certain in your report that it is necessary to accept the report in its entirety and the principle of merging existing bodies rather than looking at the pattern of local government in Wales and reorganising local government. The problem that arises is that many of these councils have already formed partnerships or collaboration processes that go against the mergers that you have suggested. What consideration have you given to that?

[627] **Sir Paul Williams:** First, you need to look at this in terms of the cost of doing nothing. If you look at the quality of services, you see the fact that many are poor and patchy and therefore we really could not suggest the status quo. We feel that there needs to be radical change. We recognise that, with radical change, there are risks. This is the wrong time to do it and there are challenges that will make the matter worse and all the rest of it. That is why we have said that, if you are doing mergers, all of the literature suggests that you have to do it at pace. It has to be done at pace and you have to do three things: you have to have a compressed timescale; you have to keep the very best people you have; and, first and foremost, you have to maintain customer focus. In other words, you have to make sure that your services are not at risk. That does require managerial capacity. That is the difference for us in terms of merger as opposed to classic reorganisation, where everything moves as fast as the slowest ship in a convoy. If you do it that way, it is potentially a recipe for chaos. So, it is a challenge, but we think that the difficulty is now confronting us and the track records that we have in terms of the delivery of services means that something has to be done. It may be that these are tough measures, but we think that this is the right thing to do.

[628] **Christine Chapman:** I know that Nerys wants to come in on this point.

[629] **Ms Evans:** Bu inni ystyried y partneriaethau sy'n bodoli eisoes. Dyna un rheswm pam y bu inni ddweud bod angen symud yn gyflym. Roeddwn yn gweld, fel y soniodd Nick o'r blaen, fod rhai o'r prif swyddogion yn treulio dros 60% o'u hamser mewn cyfarfodydd yn ymwneud â'r partneriaethau yn hytrach na delifro gwasanaeth neu arwain tîm neu wasanaeth. Hefyd, o ran yr ochr ddemocrataidd, mae cynghorwyr wedi dweud bod cymaint o wasanaethau nawr yn cael eu delifro drwy *collaboration* neu bartneriaeth eu bod yn teimlo bod diffyg atebolrwydd a diffyg o ran cael y data cywir. Mae hefyd diffyg

Ms Evans: We took into account the partnerships already in existence, and that is one of the reasons why we said that we need to move quickly. We saw, as Nick mentioned earlier, that some of the senior officers were spending over 60% of their time in partnership meetings rather than delivering services or leading their teams or the service. Also, from the democratic perspective, councillors were saying that so many services are now delivered through collaboration or partnership that they feel that there is a lack of accountability and a shortage of accurate data. There is also a problem in terms of leadership and the question arises as to who

arweinyddiaeth oherwydd bod cwestiwn o ran pwy sy'n arwain os yw partneriaethau yn datblygu gwasanaethau. Felly, ar gyfer pob un o'r chwe thema sydd yn yr adroddiad, rydym wedi ystyried y partneriaethau sy'n digwydd ar hyn o bryd, a chredaf fod hynny'n adlewyrchu'r ffaith bod angen symud yn gyflym gyda'r argymhellion er mwyn mynd i'r afael â'r *issues* hynny a chael sefydliadau cryf, sydd ag arweinyddiaeth ddigonol a strwythurau ar gyfer craffu er mwyn cael y perfformiad gorau posibl ar gyfer pobl Cymru.

[630] **Mr Bennett:** Os oes tystiolaeth gennych oddi wrth y swyddfa archwilio sy'n dangos nad oes gan y mwyafrif o gynghorau cynllunio digonol o safbwynt bod yn fwy effeithiol, beth mae'r partneriaethau wedi bod yn ei wneud dros y ddegawd ddiwethaf? Nid wyf yn meddwl bod llawer o berygl petawn yn cael gwared ohonynt neu fynd ar eu traws wrth uno.

[631] **Rhodri Glyn Thomas:** A derbyn yr egwyddor rydych wedi ei gosod, mai'r ffordd i ddelio â'r sefyllfa yw uno'r awdurdodau sy'n bodoli ar hyn o bryd a chael llai ohonynt, rydych yn dweud yn yr adroddiad petai penderfyniad ar y rhaglen erbyn y Pasg y gellir cyflawni hyn erbyn 2017-18. Ni fydd cytundeb cyn y Pasg os nad oes rhywbeth gwyrthiol yn digwydd yr wythnos nesaf, sy'n annhebygol iawn. Felly, beth mae hynny'n ei olygu o ran yr amserlen a beth yw oblygiadau gwthio'r amserlen honno yn ôl a methu â chyflawni'r newidiadau hyn yn yr amser rydych wedi ei osod, sef o fewn y ddwy neu dair blynedd nesaf?

[632] **Si Paul Williams:** When we talked about Easter, we were hoping that there could be a coming together of the ideas regarding how we could move forward. That is, that we could get the gradual acceptance. Things are starting to move. There was a bit of mischief in the media about us saying that the whole decision has to be taken by Easter. We were not suggesting that. We were saying that, by Easter, there ought to be a few pegs in the ground where we can see things starting to move. We are saying that the whole process will take

leads if it is the partnership that is developing services. So, for each of the six themes in the report, we have taken into account the partnerships that are currently in place, and I believe that that reflects the rationale behind our view that we need to move quickly with these recommendations in order to tackle those issues and to put in place strong institutions that have adequate leadership and structures in place for scrutiny so that we get the best possible performance for the people of Wales.

Mr Bennett: If you have evidence from the audit office that shows that the majority of authorities do not have sufficient plans in terms of being more effective, what have the partnerships been doing over the last decade? I do not think that there is a great deal at risk in getting rid of them or cutting across them when it comes to mergers.

Rhodri Glyn Thomas: Accepting the principle that you have set out, that the way to deal with the situation is to merge those authorities already in existence and to have fewer of them, you say in your report that if a decision was made on the programme by Easter, this could be achieved by 2017-18. There will be no agreement by Easter unless there is a miracle next week, which is extremely unlikely. So, what does that mean in terms of the timetable and what are the implications of pushing that timetable back and failing to achieve these changes according to the timetable that you have set out, namely within the next two or three years?

between three to five years. It depends on whether the ground is fertile enough for some organisations to want to lead the pack. It could take three to five years. Part of that is not just about the actual physical restructuring but the issue of developing leadership, culture and the values. Those things take time. It has to be properly project managed, in my view and in the commission's view, to make sure that all of these complex issues are aligned and that objectives are set and properly monitored for the whole period, and that the energy should not run out of the project at the critical phase, which would really be around the change process.

[633] **Rhodri Glyn Thomas:** Felly, i fod yn glir, rydych yn dadlau bod yr amserlen honno yn dal i fod yn realistig, er nad oes unrhyw arwydd bod y pleidiau wedi dod i farn sefydlog ar y rhaglen eto?

Rhodri Glyn Thomas: So, to be clear, you are arguing that that timetable is still realistic, although there are no signs that the parties have come to a stable decision on that programme yet?

[634] **Sir Paul Williams:** What we are saying is that it is possible. Only time will tell. Our work is done.

[635] **Mr Bennett:** We are not giving up hope for lent. [*Laughter.*]

[636] **Ms Evans:** Rhaid cofio hefyd y gellir gweithredu rhai o'r argymhellion yn syth. Ein hargymhelliad cyntaf yw bod angen system fewnol ar Lywodraeth Cymru i fonitro a chadw cofnod ar faint o gyrff sydd yn y sector cyhoeddus. Fe gymerodd llawer o amser i ni dreial dod i'r afael â beth oedd y sector cyhoeddus a faint o gyrff oedd ynddo. Mae hynny'n digwydd yn yr Alban gan Lywodraeth yr Alban. Gallai pethau felly ddigwydd yn syth pe bai'r Llywodraeth yn derbyn yr argymhellion i gyd.

Ms Evans: It is worth bearing in mind also that some of the recommendations could be implemented immediately. Our first recommendation is that we need an internal system within the Welsh Government to monitor and record the number of bodies in the public sector. It took us a great deal of time to get to grips with what the public sector was and how many organisations there were. That is happening in Scotland by the Scottish Government. Those sorts of recommendations could be implemented immediately if the Government accepts them.

[637] **Rhodri Glyn Thomas:** Rwy'n gwybod, Gadeirydd, bod amser yn brin, ond rhywbeth rydych wedi cyfeirio ato fwy nag unwaith yn eich tystiolaeth yw bod rhaid i'r broses gael ei rheoli'n dda a bod hynny'n hanfodol. Mae hynny'n hanfodol o ran y gost o newid ac o ran yr arbedion rydych yn eu rhagweld ac o ran sicrhau nad yw'r gost gychwynnol yn ormodol. Mae'r holl beth hynny'n eithriadol bwysig.

Rhodri Glyn Thomas: I know, Chair, that time is against us, but one of the things that you refer to in your evidence is that the process has to be managed well and that that is crucial. That is crucial in terms of the cost of changing and in terms of the savings you foresee and in terms of ensuring that the initial cost is not too great. All of that is very important.

[638] Nid oes llawer o amser y prynhawn yma, ond a allwch amlinellu'r egwyddorion sylfaenol rheoli yn dda i sicrhau llwyddiant y

There is not a great deal of time this afternoon, but could you outline the founding principles of good management to ensure the

newid hwn? Yn hanesyddol, gallwn oll feddwl am ddigon o enghreifftiau lle mae'r broses wedi cael ei rheoli'n arbennig o wael. A dweud y gwir, rwy'n cael trafferth meddwl am unrhyw broses sydd wedi cael ei rheoli'n dda i'r graddau rydych yn sôn amdanynt.

success of this change? Historically, we can all think of examples where the process has been poorly managed. Truth be told, I cannot think of any process that has been well managed to the extent that you are talking about.

[639] **Sir Paul Williams:** It is quite simple, if you look at all of our recommendations, as Nerys said, you will see that some of them are not necessarily tied into local government reorganisation. We think that there should be a pan-digital-ICT programme across the public sector. All of the various parts should be given a project team. The whole thing could be managed at a ministerial level and/or at a civil service level. It is just a complicated project that can be managed through. I am on the board of Natural Resources Wales and we are coming to the end of the first phase of that transition, bringing three organisations together, making sure the IT systems work, making sure that we are getting compatible terms and conditions for staff et cetera. It is possible to do this stuff. The public sector is not as good as the private sector in complicated project management, but it is not beyond its means to do it.

[640] **Christine Chapman:** Garry, did you want to come in?

[641] **Mr Owen:** I was going to make a point on the advantages of merging, to cover the point that you were talking about. On day 1 of a merger, there are no real costs at that stage; the costs come after. If mergers are the order of the day, it is the case that it allows local authorities themselves to be part of how that is managed. That was an important factor as well. It is not just about the management overall. Local authorities, as they presently stand, are part of the process as it evolves. That is why we felt a merger was an appropriate way of dealing with it.

[642] **Christine Chapman:** Mike wants to come in. Again, I remind Members that we have only a quarter of an hour and there are still a few questions, so be as concise as possible so that the witnesses have enough time to answer.

14:15

[643] **Mike Hedges:** I will be very concise. You said that 60% of the time is spent on collaboration meetings et cetera. How much of that is solely with other local authorities, which would disappear if there was a merger? Why do you think that the merger of five districts with one county council in Cornwall is the same as merging unitary authorities? This is a question to Sir Paul Williams, who is a member of Natural Resources Wales: are you aware of how much the merger to create Natural Resources Wales, a relatively small organisation, cost? They were mainly IT costs.

[644] **Sir Paul Williams:** What I can tell you about Natural Resources Wales is that it is well on track to meeting the entire business plan, which has—I cannot remember, but I think it is about £158 million in terms of savings. It has been managed well, and it is on track to achieve that, as well as achieving its main objectives in terms of its commitments to its various programmes.

[645] We have added to the calculations on the Cornwall merger what we would be doing in terms of our authorities, and in terms of education and social services, which actually increases the opportunity for further services. So, we actually added into the calculations the fact that we will be merging existing unitary authorities. That will give us a modest estimate of around £30 million.

[646] **Mike Hedges:** In term of that 60% figure—how much of that is spent on talking solely to other local authorities, which will disappear with the merger?

[647] **Sir Paul Williams:** As Nerys mentioned, this is within a wider context. One of our chief constables was talking about having to be on seven different local service boards. So, it is not just at a local authority level; it is across the whole of the public sector. There is a huge amount of wasted time in terms of having to just conduct the discussions and shape things slightly differently in seven different ways. When you multiply that, it is a huge amount of process waste.

[648] **Christine Chapman:** Mark, did you want to come in now on the implications of merging local authorities?

[649] **Mark Isherwood:** You indicate that local authority mergers mean that current policy initiatives may need to be reconsidered. How?

[650] **Sir Paul Williams:** I think that the context within which we were addressing this question was that, with the huge austerity and demographic challenges out there, there is a need for a massive rethink about the way in which things will have to be done. If we do not, there has to be further and further attention on existing front-line services. I know that co-production is not always a popular word, but we are working with social enterprises and other means of providing services, as part of finding a new way for those priorities to be reshaped. So, in terms of the merger, it is how the public sector leaders within local government need to be thinking quite radically about all of their programmes, and their relationships with other parts of the public sector, to be able to come out, hopefully, the other side of austerity still providing high-quality services at an affordable cost. The point that I am making is that there has to be a major sea change in the way that the whole public sector addresses the challenges that are ahead. I still think that there is a view that, 'If we can just get through next year, things will be alright'. There is almost a view of, 'If you confront the devil, it will go away'. Well, this will not. Unless we have a radical rethink of all of the programmes and how we can address them, the chances are that we will be in grave difficulty. This is the message that I am getting through the work that PwC has done across the public sector in other developed countries. The same messages come up, with some variation because the circumstances are different, but the same themes are there. You have got to have a radical rethink of these programmes. That was the message that we were trying to get out in the report.

[651] **Mark Isherwood:** I have a lot of sympathy with what you have just said, as Members may be aware. However, in terms of current policy initiatives, we are talking about things like local development plans, school improvement consortia, city regions, et cetera, which may have to be reconsidered or may they lead, given the new mergers, to new areas being covered?

[652] **Sir Paul Williams:** I think that that is a legitimate issue for Cabinet; a Government Minister will look across these things now.

[653] **Mark Isherwood:** Okay, I think that we have covered the second half with your answers already, but one thing that I will say very briefly, if I may, is that, two Assemblies ago, police mergers were proposed and this committee's predecessor carried out two inquiries at the request of the Home Secretary and the Minister for social justice here and found that, contrary to expectations, there would have been a deficit by 2012 of between £78 million and £120 million in consequence of the mergers. The First Minister has now agreed with the WLGA to wait for a cost-evaluation, and the WLGA has told me that it is commissioning an independent expert to do that for it. Do you agree that we should await that independent evaluation and then reassess on the basis of whether it corroborates or challenges your cost analysis?

[654] **Sir Paul Williams:** I think that that is a question for Government now. We have given our evidence.

[655] **Christine Chapman:** I think that that is clear. Thank you, Mark. Jenny, I do not know whether you want to come in on some of this.

[656] **Jenny Rathbone:** Your report and the WAO report together indicate that 'no change' is absolutely not an option. Between them, they paint a very challenging picture for all of us. There are two problems. One is how we get a new map that has some intellectual rigour and logic to it, to which everybody can sign up. The other is to implement all the other changes that you talk about. You say that changing the map is otherwise a complete waste of time, because we will just reorganise all the poor ways of doing things that we have already. So, I suppose that my question is: who is going to deliver this transformational change that you talk about? Obviously, we want to retain the best people in our local authorities, and if we do nothing they will drift away, but how are we going to change the attitudes of everybody, from the citizen, who goes out and does or does not elect people, to the people who run our services on a day-to-day basis?

[657] **Sir Paul Williams:** It is partly ducking the issue in that our remit was not to be looking at the detail of implementation, and that is why I said that I think that this committee has a key role in terms of holding the Welsh Government to account as to how it would roll this programme forward. Technically, we believe that it can be done; it is possible. Within that, as Garry said, I think that where we have some confidence in our suggestions is that, by approaching it from a merger point of view, in local government terms, it does, actually, strangely, empower local government to help shape the future and maintain continuity and, at the same time, to start to innovate. However, we think that this underpinning issue of developing a cadre of leaders who can step up and who have the technical ability not just to inspire but to build innovation, and, at the same time, have the strength of process to make sure that the day-to-day stuff is delivered, is absolutely essential. We had to think long and hard about whether the number of authorities that we have is capable of recruiting and retaining people of that calibre, and it is an issue of challenge for Wales.

[658] **Jenny Rathbone:** I agree that whatever needs to happen needs to happen quickly because of that. What evidence is there that the very clear pictures that you paint with your graphs about the disparity between good and bad, or poor and efficient, services are going to encourage those that are not doing so well to step up to the level of similar authorities that are doing much better?

[659] **Sir Paul Williams:** I think that that is what scrutiny needs to expose. I do not think that we—again, I am using the public sector; you can use the health service, if you want—are using the invisible hand of data powerfully enough to make sure that citizens, who are, ultimately, in the driving seat in terms of the ballot box, concentrate and make things happen. However, once you have voted in a Government or a local authority, that is where the scrutiny has to be very strong and very transparent, and has to be consistently asking these key questions.

[660] **Ms Evans:** It is also about benchmarking, because the evidence that we got from so many organisations was that people within the organisation did not know how the organisation performed compared with neighbouring authorities or health boards. So, it is about the use of data but also the ability to understand the data that drives improvement. Far too often, we had evidence of the aspiration being the Welsh average. In terms of raising the aspiration of the performance of our public sector, it was quite depressing in some instances, because, instead of trying to be the average in Wales, they should be aspiring to be the best in Wales, the best in the UK or the best across the world. That type of aspiration was missing in too much of the evidence that we saw.

[661] **Sir Paul Williams:** That is where the ICT strategy is. The ‘I’ bit of is about information; forget computers, it is about having that information and the ability to be able to interpret it and have confidence that it is accurate and comparable. There is a lot of work in there, but that is terribly important if we are going to push the boundaries forward in terms of performance.

[662] **Jenny Rathbone:** It also requires the citizen to be more involved in demanding better services. At the moment, it is going on—

[663] **Sir Paul Williams:** Absolutely, and it is also about the way in which they are engaged, and the way in which information is intelligent, timely and available to them.

[664] **Mr Bennett:** There is a lot of work. There was some evidence from what we could glean that co-production has worked where the citizen wants it to work. On waste management, there has been a sea change in the way in which citizens feel about global warming and general environmental issues, and so they demand it. There is all the work that has been done by the likes of the Institute for Public Policy Research on the relational state. The next phase of governance is that citizens will demand that things are done with them, rather than simply to them. For that to happen, the power and the scrutiny is not just something that happens within town halls. Information is going to be the key and the power that drives the way in which citizens conduct scrutiny as well, and that means there has to be a shift in power and therefore there has to be less complexity in the system. That was an ongoing theme for us—it is so complex that people are spending 60% of their time in

meetings where they are perhaps not quite sure what they are achieving.

[665] **Mr Owen:** The other thing is that there is little point changing leadership, for instance, and having new lot of leaders—top leaders, if you like—coming in to run our authorities if you have not changed the culture. At the end of the day, that cultural change is key to ensuring that the leaders we have in Wales are operating in the way that the citizen wants them to operate, which is about delivery.

[666] **Jenny Rathbone:** That is a huge agenda, and how we are actually—

[667] **Mr Owen:** It is; our agenda is always huge. [*Laughter.*]

[668] **Sir Paul Williams:** You need that corporate tenacity to see it through. It is a big ask, but cultural change does need tenacity.

[669] **Christine Chapman:** We are running short of time. Mike, you have some specific questions.

[670] **Mike Hedges:** I only want to ask one question. It is a very specific one, so it should be easy to answer. The 2012 GVA per capita figures for Neath Port Talbot and Bridgend were £14,164. For Swansea, it was £15,469, indicating that GVA per capita in Bridgend and Neath Port Talbot is 96.5% of that in Swansea. Why does the commission consider that the variation would concentrate deprived regions?

[671] **Sir Paul Williams:** GVA per capita can be quite confusing, because it is really about where people work as opposed to where they live. That is the root of the answer for me.

[672] **Mike Hedges:** So, it actually underestimates Swansea and overestimates Neath Port Talbot in that sense, in the same way that it overestimates Cardiff and underestimates the Cynon Valley?

[673] **Mr Bennett:** I think that the really critical issue for us in terms of the Welsh national interest is that we currently get £2 billion every seven years because we have a lag in our GVA per capita in west Wales and the Valleys. What were the figures published the other week? They were that it is 66% of the EU average; it is going down. It is 76% at a Welsh level, so, if we were to tamper with that line, there is a risk and a price to pay. If Rhuddlan is to go in with Flintshire and Wrexham, Rhyl no longer gets convergence funding. The same is true if Torfaen goes in with Monmouthshire. That is a political choice.

[674] **Mike Hedges:** Neath Port Talbot, Bridgend and Swansea are all in the Objective 1 area, or the convergence area as it is now known. I have talked to you outside of this committee about the line of 75% of average EU GVA per capita and how you are putting those authorities together. I was involved at the time when it was developed.

[675] **Mr Bennett:** So was I.

[676] **Christine Chapman:** Thank you, Mike. We have come to the end of the session. I do

not think there are any more questions. It has been very useful for us. It certainly has helped us to understand some of the decisions and recommendations and the thinking behind them. I thank all of you for attending. We will send you a transcript of the meeting in due course, so that you can check it for factual accuracy. So, thank you very much for attending.

14:30

Papurau i'w Nodi
Papers to Note

[677] **Christine Chapman:** I invite Members to note the papers. Are you all agreed on that? I see that you are. The next meeting will take place on Monday, 31 March, when we will meet with the preferred candidate for the appointment of the Public Services Ombudsman for Wales.

Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod
Motion under Standing Order 17.42 to Resolve to Exclude the Public from the
Meeting

[678] **Christine Chapman:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(ix).

[679] I see that Members are content.

Derbyniwyd y cynnig.
Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 14:30.
The public part of the meeting ended at 14:30.