



Department for
Digital, Culture,
Media & Sport

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Owen Evans and Rhodri Williams

Preparations for 2022 Licence Fee Settlement

I am writing to confirm the scope and timing of the next Licence Fee settlement, which will start on 1 April 2022 and cover at least five years. As the only Welsh language broadcaster S4C has a unique cultural and social position, makes a vital economic impact and plays a key role in promoting the Welsh language. Its value was once again apparent in the key role it played in keeping Welsh citizens informed throughout the Coronavirus pandemic.

But it is important S4C continues to modernise. The media landscape is evolving rapidly and much has changed since the Licence Fee was last set in 2017. The Licence Fee Settlement is an opportunity for the S4C to consider how it can deliver the best value for money for Welsh Language Speakers as it moves to become fully funded by the Licence Fee for the first time.

In recognition of S4C's unique position as the only Welsh Language broadcaster and your distinctive operating model, I have agreed that for the purposes of this exercise the BBC and S4C will return separate information. However the scope of your return and the BBC's should mirror each other, where possible.

The Royal Charter (article 43.5) requires the BBC to submit such information as I may reasonably require in connection with my determination of the funding settlement. As set out in the 2016 White Paper, I have agreed to consider estimations of Household Growth, Commercial Revenues, and Industry Costs as part of my determination for the BBC. I would ask you to reflect these where possible, substituting Household Growth for Welsh Speaking Levels to reflect your commitment to help the Welsh government to reach 1 million Welsh speakers by 2025.

By this letter, I am formally requesting financial information for the duration of the Charter period, both historical and future, from 2017-2027. It should be presented in terms of 'sources' and 'uses'.

Your '**sources**' should include Licence Fee income, Commercial Income and Other Government Grants in order for you to deliver estimates of overall income. To aid you in your calculations for Licence Fee income, you should - for illustrative purposes - assume a flat cash baseline for the period 2022-27, to be set in consultation with my officials.

In regard to your commercial activities, I ask you to provide detailed information on all income derived and the corresponding activities to which it relates. Bearing in mind the economic impact of Covid-19 you should also include base, best and worst case estimations of your commercial income for the settlement period. My officials will continue to work directly with your team to set the format in which this information should be presented.

The 'uses' of this income should be presented and prioritised as far as possible in terms of fulfilling your remit. I have identified a number of priority areas I require further information on in order to make my determination. Please carefully consider and address the following in the presentation of your 'uses';

- Greater exploitation of commercial opportunities: in addition to clear budgetary breakdowns of all revenue streams and existing and planned commercial activities and spending, an assessment of the new opportunities that S4C sees which might increase commercial revenues during the settlement period.
- Support for the creative industries: information on how S4C would spend the licence fee over the settlement period to support the recovery and development of the UK creative industries - particularly in Wales.
- The distinctively S4C offer: an assessment as to what S4C considers the core requirement of products and services to fulfill its remit, and what wider products and services S4C wishes to continue to pursue or introduce.
- Initial workforce and pay bill plans: with full plans for pay and workforce to be provided for the Licence Fee period. Plans should anticipate staffing needs going forward, including possible skill shortages, and efforts to modernise workforces.
- A continued savings programme: proposed savings plans for the next settlement period in particular around talent pay levels, and overall pay bill costs, together with efficiencies, technological substitution and rationalisation. This should also include reforms which can drive growth and relieve pressures elsewhere.

A response is required by Friday 26th February 2021. The information we receive will inform further consultations later in the year. My officials will be in touch to confirm the format and parameters required for each request. I am grateful for your team's continued cooperation with my department on this matter.

I look forward to working with you in the coming months to prepare for the Licence Fee Settlement. My officials are on hand to answer any questions you have on the contents of this letter.

I am copying this letter to the Chancellor of the Exchequer, the Minister of State for Media and Data and my Permanent Secretary.

Yours sincerely



Rt Hon Oliver Dowden CBE MP
Secretary of State for Digital, Culture, Media and Sport