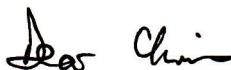


02/11/11

Lord Patten of Barnes CH
Chairman
BBC Trust
180 Great Portland Street
London
W1W 5QZ



Thank you for your letter of the 24th October.

Last week was an important week for both our organisations. I am very pleased that we have now reached an agreement that ensures the editorial and managerial independence of S4C, whilst safeguarding appropriate accountability to the Trust for use of the licence fee funding, and creating structures to develop an effective partnership.

The Authority and I are very pleased that we were able to come to agreement with the BBC Trust on these matters and we are confident that we can make the new arrangements work so as to provide the best possible services to our audiences.

The issue of S4C's independence and accountability has been of great concern to many stakeholders in Wales and I am pleased that they will now have an opportunity to offer their views on these arrangements during the public consultation to be led by DCMS over the coming months.

I would like to confirm formally that the Authority has accepted your proposal that the financial contribution from the licence fee to S4C should be £75.25m in 2015/16 and £74.5m in 2016/17.

I note that these figures include an efficiency reduction that is in line with that set by the Trust for BBC Wales for the same period. I think it is appropriate, however, for me to underline the fact that the reduction in funding which S4C will already have suffered over the period 2011-15 is approximately 32% in real terms. By comparison, the impact of added responsibilities plus inflation on BBC income is reckoned at 16%. This means that by 2016-17, S4C will already have had to deal with a more substantial and earlier reduction in its funding than cost centres within the BBC.

Nevertheless, the Authority recognises the stability and opportunity for forward planning which this settlement provides and looks forward to identifying all possible efficiencies, over and above the package of measures already proposed by the

executive, so as to ensure that S4C's programming budget is protected as far as possible during this challenging period. We believe the new partnership structures which have been agreed will play an important part in identifying those areas where S4C and BBC Wales will be able to cooperate in future so as to maximise the investment both our organisations can make in the production sector.

The BBC Trust's funding proposal makes no reference to the £7m per annum which S4C will receive from DCMS in 2014-15. We recognise that this is not a matter for the BBC Trust, and we understand that the Government is unwilling to make any financial commitment beyond the current four-year CSR period. We do take this opportunity, however, to note that the Authority's consideration and acceptance of the Trust's offer on funding has been greatly facilitated by the requirement in the Public Bodies Bill for the Secretary of State to ensure that S4C has sufficient funding to fulfil its statutory remit. This is a matter which we will wish to pursue with the Secretary of State at the appropriate time.

We share your desire to renew the existing Strategic Partnership, relating to the BBC's statutory requirement to provide programming to S4C, so that it runs until the end of the current licence fee period of 2016/17. I hope that officials at BBC Wales and S4C can discuss and agree the terms of such renewal fairly shortly. I believe that this renewed partnership will also create further creative opportunities for S4C and BBC Wales to work together to provide innovative services for our audiences.

Following our detailed discussions, we now turn our attention to preparing for the public consultation on our agreement and also to developing the Operating Agreement. I look forward, as do S4C's officials, to working with you in the coming months so that we can explain the detail of our agreement to our stakeholders and so that we can move forward and concentrate on providing high quality Welsh language services for our audiences.

I am copying this letter to the Secretary of State for Culture, Media, Olympics, and Sport and the Secretary of State for Wales, and shall also be publishing it on S4C's website.

Yours ever



HUW JONES
Chairman
S4C Authority