

BBC Governance

The Governors

The Board of Governors was responsible for the strategic oversight of the BBC until its replacement by the Trust at the start of 2007.

Governors' committees

The Board of Governors routinely referred some matters to sub-committees which reported back to the full Board. These were:

- **Fair Trading Compliance Committee** – reviewed the BBC's compliance with its Fair Trading Commitment, the World Service Trading Protocols, and the BBC News/BBC World trading relationship; considered significant external challenges to the BBC's compliance with its Fair Trading Commitment; tested the fair trading processes and controls through the work of the fair trading independent auditor.
- **Audit Committee** – reviewed the BBC's systems of internal controls; the compliance of the BBC's financial statements with legal and regulatory requirements; the BBC's relationship with its external auditors; the work and effectiveness of the BBC's internal auditors; the value-for-money reviews commissioned by the Audit Committee.
- **Finance and General Purposes Committee** – scrutinised and made recommendations to the Board on the annual budget; reviewed investment cases before consideration by the

Board; reviewed progress of major projects and strategies, including property; scrutinised management proposals to assist deliberations of the full Board.

- **Remuneration Committee** – considered the performance of individual members of the Executive Board and recommended their base pay and annual bonus awards to the Board of Governors.
- **Programme Complaints Committee** – ensured that complaints were properly handled by the BBC, including hearing certain appeals.

The structure of these sub-committees reflected the governance system in place under the Charter and Agreement that expired at the end of 2006. Under the new Charter and Agreement some of the responsibilities of the former Board of Governors have passed to the Executive. This is why, for example, the Board of Governors had an audit committee while the Trust does not, the audit responsibilities having passed to the Executive under the new Charter.

The attendance record of Governors at Board and Committee meetings is set out below.

Board and Committee attendance, 1 April 2006 to 31 December 2006

	Board of Governors	Fair Trading Compliance Committee	Audit Committee	Finance and General Purposes Committee	Remuneration Committee	Programme Complaints Committee
Number of meetings in the year	8	3	5	10	4	7
Michael Grade (to 27 November 2006)	7/7			9/9	4/4	
Anthony Salz	7/8	3/3		6/10	4/4	
Deborah Bull	7/8				3/4	6/7
Sir Andrew Burns	8/8		5/5			
Baroness Deech (to 22 October 2006)	5/6	1/2	4/4			
Dermot Gleeson	7/8		4/5	10/10		
Professor Merfyn Jones	6/8	3/3				6/7
Professor Fabian Monds	8/8	3/3				7/7
Jeremy Peat	7/8		5/5	10/10		
Angela Sarkis (to 22 October 2006)	5/6					5/5
Ranjit Sondhi (to 22 October 2006)	6/6					
Richard Tait ¹	6/8					3/7

¹Agreed leave of absence owing to illness

Governance Unit

The Governors were supported in their work by the Governance Unit, which provided independent and objective advice as well as administrative backup. It was reconfigured as the Trust Unit at the end of 2006 as part of the transition to the governance arrangements established by the new Charter and Agreement. Details of the Trust Unit are on page 37.

At the end of 2006, the Governance Unit had a staff of 33. The total cost of the Unit for the first nine months of 2006/2007 was £7.9million (£8.3million 2005/2006 – full year cost).

Members of the Board of Governors in office from April 2006 until 31 December 2006

Michael Grade CBE, Chairman

BBC Chairman until his resignation in November 2006. Chairman of Pinewood Shepperton and of Hemscott Group and, from September 2006, of Ocado. Former journalist and theatrical agent. Held many senior positions in broadcasting including Director of Programmes, LWT; Managing Director designate, BBC Television; and Chief Executive, Channel 4.

Anthony Salz, Vice-Chairman

Acting Chairman of the BBC from November 2006 to December 2006 following Michael Grade's resignation. Vice-Chairman from August 2004. Chairman of the Fair Trading Compliance Committee; Chairman of the Remuneration Committee and member of the Finance and General Purposes Committee. Former joint senior partner of the law firm Freshfields Bruckhaus Deringer.

Deborah Bull CBE

Member of the Governors' Programme Complaints Committee and the Remuneration Committee. Creative Director, ROH2. Former Principal Dancer, Royal Ballet.

Sir Andrew Burns KCMG

The BBC's International Governor. Member of the Audit Committee. Non-Executive Director of J P Morgan Chinese Investment Trust and Chairman of the Council of Royal Holloway, University of London. Former diplomat.

Baroness Deech DBE (Ruth)

Member of the Audit Committee and the Fair Trading Compliance Committee. Independent Adjudicator for Higher Education. Former Principal of St Anne's College, Oxford, and former Chairman of the Human Fertilisation and Embryology Authority.

Professor Merfyn Jones

The BBC's National Governor for Wales. Member of the Fair Trading Compliance Committee, the Governors' Programme Complaints Committee, and the Councils and Advisory Bodies Committee. Historian and broadcaster. Former Vice-Chancellor of the University of Wales, Bangor.

Professor Fabian Monds CBE

The BBC's National Governor for Northern Ireland. Member of the Governors' Programme Complaints Committee, the Fair Trading Compliance Committee, and the Councils and Advisory Bodies Committee. Chairman of the trustees of BBC Children in Need. Specialist in communications, information systems and entrepreneurial studies.

Angela Sarkis CBE

Member of the Governors' Programme Complaints Committee. National Secretary YMCA from July 2006. Former Chief Executive, Church Urban Fund and former Vice-President of the African Caribbean Evangelical Alliance.

Ranjit Sondhi CBE

BBC Governor with special responsibility for the English Regions. Chairman of the English National Forum and of the Councils and Advisory Bodies Committee. Senior Lecturer at the University of Birmingham's Westhill College. Former Deputy Chairman of the Commission for Racial Equality.

Three other BBC Governors – Dermot Gleeson, Jeremy Peat and Richard Tait – transferred to the BBC Trust. Their biographical details are on page 13.

Board of Governors remuneration

This section of our report sets out the remuneration policy and remuneration received by the Board of Governors.

The BBC is exempt from the requirements of the Directors' Remuneration Report Regulations 2002 and those of the Financial Services Authority, but this report has been prepared as if those requirements apply wherever the disclosure provisions are relevant and applicable. The sections on pensions and remuneration received by the Governors are audited.

Until 31 December 2006, the Governors' Remuneration Committee, a sub-committee of the Board of Governors, advised the Board of Governors on the remuneration policy for the BBC's Executive Board and the determination of their base pay and any bonus awards. The Governors' Remuneration Committee was chaired by Anthony Salz and the other members were Deborah Bull and Michael Grade.

The meetings of the Governors' Remuneration Committee were also attended by the Director-General (Mark Thompson) and the Director, BBC People, to advise on matters relating to other members of the Executive Board and the overall performance of the BBC. Neither was present when matters concerning their own remuneration were considered. The Committee also had access to internal expertise through the BBC's Head of Reward, who attended the meetings.

Complying with the 2003 FRC Combined Code on Corporate Governance, the Governors' Remuneration Committee took specialist advice from external professional advisers on remuneration matters, particularly market practice. During the year, the Governors' Remuneration Committee received advice from the Hay Group on comparative market data in the determination of pay and benefits for the Executive Board.

Governors: remuneration policy

The members of the Board of Governors received a fee determined by the Secretary of State for Culture, Media and Sport. They were additionally reimbursed for expenses incurred on BBC business, and any tax arising on those expenses was settled directly by the BBC. The fees and taxable benefits are reported in the table on page 49.

Pensions

The Chairman was eligible to participate in a pension scheme, which provides for pension benefits on a defined benefit basis with an accrual rate of 1/60th of the final pensionable salary per year of service. Earnings are subject to a maximum annual limit (£108,600 per annum for 2006/2007) for those who joined the Pension Scheme after 31 May 1989. The Pension Scheme provides for early retirement on medical grounds and life assurance of four times base pay up to a prescribed limit. No other Governors were eligible to participate in a BBC pension scheme.

Details of defined benefit entitlements compared with 2005/2006 are shown on page 49.

Pension entitlement

Name (age at 31 March 2007)	Defined benefit schemes				
	Annual values		Transfer values ¹		
	Accrued pension at 31 March 2007 ² £000 pa	Increase in accrued pension over the year £000 pa	Transfer value of accrued pension at 31 March 2007 ² £000	Transfer value of accrued pension at 31 March 2006 £000	Increase in transfer value less members' contributions over the year £000
Chairman					
Michael Grade (64) ²	4	1	59	50	6

¹The transfer value of accrued pension benefits represents the estimated cost to the Pension Scheme of providing the pension benefits accrued to date. The value is affected by many factors, including age, pensionable salary, pensionable service and investment market conditions at the date of calculation (in accordance with Actuarial Guidance Note GNI 1). It is not a sum paid or due to the individual and therefore cannot be meaningfully added to remuneration. The effect of the investment market conditions on the transfer value varies according to the member's age – for older members the calculation reflects the yields on index-linked gilts, while for younger members the dividend yield on the FTSE All-Share Index is the more significant determinant

²Michael Grade resigned on 27 November 2006. The figures at the end of the year are the total pension (before any pension was commuted for cash) and contributions at the date of retirement. His total benefits have then been valued as at 31 March 2007, including the value of the benefits received between 27 November 2006 and 31 March 2007

Remuneration received

The remuneration of the Governors during the year is shown below.

	Fee/base pay £000	Expenses/benefits £000	1 April 2006 – 31 December 2006 £000	Total 2006 £000
Governors (retired 31 December 2006 unless otherwise stated)				
Deborah Bull	12	2	14	23
Sir Andrew Burns	21	7	28	36
Baroness Deech (retired 22 October 2006)	9	5	14	23
Dermot Gleeson (appointed Trustee) ¹	12	7	19	26
Michael Grade (resigned 27 November 2006)	55	21	76	110
Professor Merfyn Jones	21	6	27	42
Professor Fabian Monds	21	2	23	29
Jeremy Peat (appointed Trustee) ¹	21	2	23	34
Anthony Salz ²	26	3	29	35
Angela Sarkis (retired 22 October 2006)	9	2	11	25
Ranjit Sondhi (retired 22 October 2006)	16	1	17	32
Richard Tait (appointed Trustee) ¹	12	2	14	19
Total Governors	235	60	295	434

¹Dermot Gleeson, Jeremy Peat and Richard Tait received fees as Governors until 31 December 2006

²Anthony Salz was Acting Chairman of the Board of Governors following Michael Grade's resignation on 27 November 2006 until his term ended on 31 December 2006, and received fees at the Chairman's level during this period

There were no payments in respect of termination or compensation for loss of office paid to or receivable by Governors during the year.

The fees payable to the Governors were determined by the Secretary of State for Culture, Media and Sport

“It is like a candy store, you don't like everything in there, but what you do like, you actually really love.”

Spontaneous definition of BBC Two. Male, age 25–44, Cardiff, contributing to Trust consultation on service licences.