

In confidence

Tuesday 21 February 2023

11.00 – 15.00

MINUTES**Trustees present**

Sarah Sands (Acting Chair)
Wendy Alexander
Mark Beddy
Stephen Deuchar
Tom Drew
Richard Hookway
David Lefevre
Malcolm Press
Seona Reid
Sushil Saluja
Fiona Salzen

In attendance

Scott McDonald, Chief Executive (CEO)
Kate Ewart-Biggs, Deputy Chief Executive
Andrew Horton, Director Digital, Partnerships &
Innovation
Richard Thomas, Chief Finance Officer (CFO)
Andy Williams, Chief Operating Officer
Alison Coutts, Secretary

1. Chair's introduction**1.1 Apologies for absence and declarations of interest**

Yasmin Diamond, Rageh Omaar and Clare Reddington had sent apologies for their absence. There were no declarations of interest.

1.2 Minutes and matters arising

The minutes of the meeting of 13 December 2022 were approved.

The Acting Chair welcomed trustees and executive members to the meeting. She noted that the agenda covered a mix of strategic issues and formal items which required trustee attention. In addition she had asked for a 'delight item' to be included as part of the CEO's report. The intent of this was to share some stories which bring the organisation's work to life and of which the trustees should be proud.

The Acting Chair noted that the Annual Report & Accounts had been submitted to the Charity Commission of England and Wales and the Office of the Scottish Charity Regulator on time, and that other matters arising would be covered during the meeting.

2. Chief Executive's report

The Chief Executive made the following remarks.

Transformation continues to be embedded which is no mean feat considering a large reduction in roles. However we are still delivering value through our global programmes across the network and learning how to be more effective through new ways of working. We are also working well with Embassies and missions.

The Venice Biennale 2024 has been launched for which we have commissioned John Akomfrah to represent the UK. The Showcase Scotland 6-day programme, which introduced international delegates to the Scottish music sector as part of Celtic Connections, was extremely successful. It is part of a strong relationship with Creative Scotland and a range of other partners.

We are making progress on the One British Council strategy which ensures all parts of the organisation are focussed on our purpose and enables more effective collaboration across teams. We have also produced papers on our value to the UK in response to a request from the Foreign Secretary, which has helped us better define and measure it.

Our exams work is going well and we expect it to come in close to this year's targets. We have rolled out a modernised IELTS platform to 27 venues so far and will accelerate the remaining roll-out. This is part of our strategy to operate effectively in an increasingly digitalised area.

However our financial position remains stretched. In addition to inflation, there are significant devaluations in some countries which expose us to local currency fluctuations. Also, the government has taken big ODA cuts which means there are less opportunities to bid for ODA funded contracts. We will need to factor these and other constraints into our five-year plan. In parallel we are working on developing alternative sources of income and a new team has been set up to help with this.

Finally, he referred to the plan for an overseas visit for 6 trustees later in the year as part of a more coordinated and resource-effective approach towards trustee travel rather than ad hoc trips. This will make the most of their time and enable them to see global programmes in action and to engage with a range of staff and partners. In addition, if trustees happen to be visiting a country and have the time, we can link them up with country directors who will introduce them to our work. It would be useful to receive a one-page summary of these visits, covering what trustees learned and issues the senior executive should be aware of.

3. Network update

The Deputy Chief Executive gave the following update.

Following the devastating earthquake in Turkey and Syria we have confirmed that all our staff are safe. We are now focussing on supporting them and planning a cautious return to business as usual.

We have extended the support package we put in place for those of our Ukrainian colleagues who are working in Poland until July.

There has been some progress on our contractors in Afghanistan. The Afghan citizens resettlement scheme (ACRS) team have told us that they have agreed to more people being resettled subject to security procedures.

The Deputy Chief Executive then gave an update on Iran.

4. CFO report

The CFO gave the following headlines.

The December accounts show performance to be much as expected. The deficit is better than in Q2 and the release of contingency as we go through the year has helped. Grant spend against target has improved compared to last year and we are expecting to meet the target by the end of the financial year.

The Q3 forecast shows an improvement of c£17m on the bottom line compared to Q2 as revenues have been better than expected and are expected to increase in February and March. As well as the release of contingency through the year, overheads have reduced slightly. Approximately £6m of contingency remains to cover the impact of volatile exchange rates.

We are making progress on the loan extension though are still waiting for sign-off. The FCDO has asked for an independent review to ensure it is commercially justified so we may need a temporary extension in the meantime.

We have been working on the 5-year plan and have shared a draft with SLT and the Finance Committee. Overall it is in good shape but specific challenges relating to the global economy have come up which need to be worked through before it comes to the Board. In particular we have seen increased volatility in exchange markets, especially in Pakistan and Egypt where we have significant operations and where we have seen a significant fall in the values of their currencies. This has impacted on income. We are looking at mitigations we can put in place to reduce the impact before bringing the plan to the Board in March.

The Chair of the Finance Committee noted that the Committee had reviewed the key points and recognised the challenges. It highlights the risks of having negative reserves and it will be important to prepare options for beyond 2023/24 when the loans expire.

Trustees agreed that it will be important to test business assumptions and review the investment portfolio so it is focussed on core businesses and new ways of operating, for example in teaching. They noted that it's important not to conflate exams and English teaching

as they are based on different models and it's important for trustees to understand the drivers for each.

5. Professional services update

The CEO and COO gave the following headlines.

In 2020 high-level benchmarking suggested that our approach was expensive and staff-intensive compared to industry averages and that ways of working needed to be modernised. A detailed review showed us that our services suffered from a technology debt and lack of standardisation which was increasingly unsustainable.

The resulting business case to streamline our professional services will lead to significant savings and benefits as outlined in our loan agreement. It will include outsourcing some services whilst improving those that remain. Success will rely on standardised ways of doing things rather than complicated customisation. We have learned a lot during the planning and made various adjustments as a result. This has resulted in a 6-month delay but was time well-spent and will lead to a better outcome.

There are three parallel but linked workstreams and we're currently doing a final test and validation of our assumptions. We are now on the verge of going out to tender and will share more concrete plans and timelines with the Board shortly. Sourcing should be complete by June.

The Chair of the Finance Committee confirmed that the Committee is currently assured that the work to get to this stage has been thorough and the process seems to be going well. Detailed work is ongoing and due diligence has been strong so far. Clear and transparent communications will be crucial.

6. Strategic priorities, Board reporting and deep dives

The CEO noted the following.

Since the discussion at the Board Away Day, SLT has focussed on linking priorities with KPIs and the measurement of results, in order to help the Board hold the executive to account. These are clarified in the background paper. Improved quarterly performance reporting against key goals - both qualitative as well as quantitative - is part of this and will link progress against our purpose and ambitions.

The paper also includes an outline timetable for bringing strategic discussion areas to Board meetings over the year, starting with digital at the current meeting. This will allow management to plan and use resources effectively.

Trustees agreed that real progress had been made and that the structure and proposed deep dives would be helpful. They noted that it would be good to include a deep dive on English to

stress test the model, and that it would also be useful to cover any major changes to the global programmes and how they are working.

It was also agreed that clarity is need in terms of which topics will principally be reviewed through Committees, for example the deep dive on compliance, and which directly by the Board.

7. Organisational performance report

The COO shared the following highlights from the latest report.

The quality of the data is improving which allows SLT to focus on the really important issues. For example, the teaching customer satisfaction scores are stagnant so the next step is to explore how their experience could be improved. However, IELTS satisfaction rates have increased as a result of focussed work on improving customers' end-to-end experience with the process. The results also show that the benefits of investment are beginning to come through whilst clarifying where the pain points are in terms of processes and bureaucracy so we can track improvements. The second part of the report provides some short narratives to bring the data to life.

Trustees noted that the stories are really powerful and provide great examples of impact. They noted that these are being packaged and form part of the communications playbook.

8. Digital

Director Digital, Partnerships & Innovation noted the following.

There will be a deeper dive into this area in June following the conclusion of the outsourcing contract, but in the meantime the paper sent to the Board sets out our simplified strategy. There has been progress on clearing out much of the technical debt from our platform and on introducing more automation. We also have better processes behind this. We have focussed on product development and management and on working with the teams to improve their skills and ways of working in this area. More products are on track to be released this year and partnerships will be key to this. The challenge is not just on building good products but also on commercialisation. The new professional services model will be very different with much outsourced, whilst the retained part of the model will focus on the strategy.

Trustees were supportive of the strategy and congratulated the team on the volume of complex work covered over the last period. They noted that the balance is on integrating new systems incrementally rather than a more radical approach based on AI, and were informed that more is planned for the latter but it needs thinking through as we have to be realistic about the investment and people we'll have available.

9. Committee meeting reports

Commercial Committee

The Chair of the Committee noted that the Committee had reviewed overall performance which continues to be strong, had considered initial thinking on an IELTS strategy for young adults, and had had an excellent deep dive into the Nigeria market which reinforced the value of our digital offering.

The Committee also had a discussion on EnglishScore following an agreement by the Board in September 2022 to an increase to the investment ceiling, on the understanding that the additional funding is considered by the Commercial Committee and released in tranches. The Committee had approved the release of the remainder of the January tranche of funding but not of the April tranche. It has some concerns about the current approach so will review it and brief the Board in March.

Finance Committee

The Chair of the Committee noted that the Committee had reviewed the February cashflow forecast and approved a drawdown against the restructuring loan. It had agreed that no drawdown nor repayment would be made against the insolvency loan this month. It has also received an update on transformation and reviewed the latest draft of the 5-year plan and the issues related to trapped cash.

10. Any other business

The CFO noted that we are re-negotiating our lease in Manchester in order to reduce the amount of space we will occupy. This means we need to sign a temporary lease whilst the fit-out of the downsized space is taking place, then a longer-term lease once the works have been completed. Both leases include uncapped indemnities which require Board approval. This will be requested by email once the lawyers have reviewed the documentation.

There was no other business and the meeting finished at 14.30.

There followed an in-camera session with trustees.