

**In confidence**

**Tuesday 24 September 2024**

**11.00 – 15.25**

## **MINUTES**

### **Trustees present**

Paul Thompson (Chair)  
Mark Beddy  
Wendy Alexander  
Stephen Deuchar  
Richard Hookway  
Malcolm Press  
Katy Radford  
Fiona Salzen  
Sushil Saluja  
Paul Woodgates  
David Lefevre

### **In attendance**

Scott McDonald, Chief Executive (CEO)  
Kate Ewart-Biggs, Deputy Chief Executive  
Vijay Doshi, Chief Financial Officer  
Mark Stephens, Director Cultural Engagement  
Charlie Walker, Director International Operations  
Mark Walker, Director English & Exams  
Andy Williams, Chief Operating Officer (COO)  
Serin Hasan, Director Strategy  
David Thompson, Director UK & External Relations (items 1-5)  
Maddalaine Ansell, Director Education, and Jo Pearson, Director New Product Development E&E (items 4 and 5).  
Andrew MacKenzie, Director IELTS (item 5)  
Jacqueline Bullock, E&E Marketing Director (item 5)  
Bryony Inge, Secretary

## **1. Chair's introduction**

The Chair highlighted the positive progress made, particularly on Project Groove, Project Berry, engagement with external stakeholders, and progress with Cambridge on risk sharing, in the context of the organisation's financial challenges. The SLT are extremely focused on the refinancing of the £197m loan.

He also noted that it was Mark Beddy's final meeting.

### **1.1 Apologies for absence and declarations of interest**

Christian Turner, Clare Reddington and Rageh Omaar had sent apologies for their absence.

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Declarations of interest: Sushil Saluja declared that his wife is now Parliamentary Under Secretary of State in the Home Office (relevant to the agenda item regarding the Home Office).

## **1.2 Minutes and matters arising**

The minutes of the meeting of 2 July 2024 were approved, with one amendment requested in item 4 of the minutes to reflect trustees' concern regarding TCS's ability to deliver Professional Services (PS) Transformation. They would like to see TCS take more proactive leadership, share their expertise and be more challenging.

### Matters arising

The Chair noted the following:

Action points from the previous Board meeting are progressing well and the CEO's meeting with the CEO of TCS is still to be confirmed. There are several verbal updates on the agenda for today, including the CSR and affordability plan, agents, asset sales and threats to IELTSs.

All other matters arising would be covered in the meeting.

## **2. Chief Executive's report**

The Chief Executive reported on the organisation's financial challenges as well as highlights related to recent programmes and events. Recent successes include Project Berry where we are now negotiating on price. A small subgroup of trustees has been formed to advise the executive on this work. Director English & Exams confirmed that he and Director Communications are working on the communications strategy and will share with the board in due course.

The Chair asked the Board to approve and delegate the Board's authority to the above subgroup to advise the executive during the process and to come back to the Board on substantive issues only.

The Board approved.

The Chief Executive gave the Board an overview of Project Groove. Director English & Exams then asked the Board to agree an amendment to the Board's previous approval (which was for up to £4m to purchase the remaining shares if a reasonable valuation could be achieved, and with the approval valid until the end of November) to up to £4.2m and without a time limit.

The Board approved.

Regarding our financial challenges, our Q1 forecast was negatively affected by: 1. a decline in IELTSs, 2. delays in realisation of the benefits of Professional Services Transformation, and 3.

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FX losses – all of which resulted in a -£15m impact on the bottom line. The SLT has taken a series of short-term actions to address this, including freezes on recruitment, non-essential spend and travel.

Our IELTS business and commercial income is also further threatened by an expected increase in competition, as well as the Home Office's intention to engage with the market and issue a tender for English language testing (where we currently have 20% of the business).

As a result of the above, we have adjusted our five-year forecast down and started work on a plan for significant savings.

The SLT has been working with FCDO officials on the spending review settlement and loan repayment. Present indications are that there will be limited if any support on either but we are continuing to work with officials to explore all possible options.

### **3. Government Relations update**

The Deputy Chief Executive gave an overview of the extensive work done by the team on the engagement strategy, including work with FCDO officials and Heads of Mission.

The Soft Power Council is expected to be announced shortly by the Foreign Secretary and the FCDO have confirmed that the British Council will have a role.

Phase one of the Spending Review has been submitted to the Treasury and the outcome is expected to be announced on 30 October. We anticipate that it will likely be a rollover of one year grant-in-aid. Discussions around phase 2 will begin after party conferences and will conclude by spring.

Director UK & External Relations, gave an update on the loan and outlined the three-phase approach we are taking to address the negotiations.

Trustees expressed their support for the plan and felt that the actions the team are taking are the right ones. The Chair requested a fortnightly briefing on our political engagement from the Policy & External Relations team.

### **4. Agent Opportunity Update**

The Chair welcomed Maddalaine Ansell and Jo Pearson to the meeting.

Maddalaine and Jo gave the following update.

We have been exploring the idea of an agents registration system for several months, to help the sector and support our income.

However, having explored all angles in depth, the recommendation is to not proceed, unless the Board disagrees or the Department for Education come back to us to pursue it. Angles

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explored include: our history and expertise in this area (we worked closely with the sector two years ago regarding the agent quality framework and to provide training for agents), what the offer would look like and how we could produce it (including significant capacity required), lack of appetite from the current government and sector to produce this offer, potential funding models, what other countries are doing in this area, and whether accreditation rather than registration might be a better and more commercially viable option.

Trustees agreed the agents registration idea is not something we should pursue at this stage.

Maddalaine and Jo left the meeting.

## **5. Exams**

The Chair welcomed Andrew MacKenzie and Jacqueline Bullock to the meeting.

Director English & Exams and the above gave an update on the secure English language testing market and IELTS as follows.

While the overall market is contracting (and not expected to shift anytime soon), IELTS is still doing well, in spite of new competition.

The Home Office's announcement to launch an investigatory exercise into running their own English language test that they would own means that potentially there would be a single mandated test targeted at skilled workers/graduate migration routes – which would have significant implications for our IELTS income.

We are focusing on specific markets and considering actions to take to address the situation. IELTS has global recognition, for example in Germany, Spain, Asia. 300,000 IELTS test takers (about 10% of the total) go to those other markets – and the number is growing.

Our other English language assessment product, Aptis, is doing well, generating £20m of income last year and on track to deliver £30m this year.

Trustees agreed with the strategic direction presented and advocated leveraging access to the Home Office and UKVI regarding the Home Office's new proposal.

Andrew and Jacqueline left the meeting.

## **6. CFO report**

Finance update: risks and actions, Q1 forecast, management accounts

The CFO noted that the latest management accounts show a continued decline in IELTS markets (particularly in SSA and MENA), albeit improved performance in China. Therefore the Q1 forecast is accurate. The immediate interventions that the executive team have made are estimated to save £10m this year and up to £18m in subsequent years. Work on the phase 3 restructure plan will take place prior to the November board meeting.

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£50m worth of investments will continue this year as planned, plus £4-£5m for Project Groove. Investment in cyber continues as a basic necessity.

Further cost savings will be achieved by revising E&E budgets and reviewing indirect costs. Working groups on all these areas will report back mid-October.

Asset sales will help repay the loan and also reduce our interest charges.

## **7. Network update**

Director International Operations shared updates from across our Geographic Directorate.

## **8. Approvals**

### ACCA tender submission

Director English & Exams requested approval to submit a bid for the next ACCA contract. They have just launched a new tender to begin in 2027.

The Board approved.

## **9. Reports from Committees**

### Ethics Committee

Trustee member of the committee Sushil Saluja noted his satisfaction with the balance of the committee under the Chief Executive's leadership. Recent difficult decisions reviewed by the committee have been handled well. The Chief Executive will review a potential name change of the committee with the team.

### Finance

The Chair of the Finance Committee noted that work for the previous three months has focused on the management accounts, the Q1 forecast and provisional August figures, and the draft five-year outlook and actions to be considered. They have also discussed loan refinancing, a CSR update, transformation, the EY cash flow modelling exercise and how to release some cash. Our corporate treasurer is looking at actions that will improve our trapped cash position and will bring more proposals on that in October.

Mills & Reeve's legal advice regarding insolvency has not changed greatly from their original advice from February 2020). The committee advised continuing on the basis that we have a reasonable belief that we can avoid insolvency through the loan and by continuing with due process in all other areas.

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## Audit & Risk

The Chair of the Audit & Risk Committee noted good progress on the timeline for the annual report & accounts (23/24) and the external audit on the accounts. The loan negotiation is the only item that isn't yet included, so the team will prepare the accounts to have everything ready aside from that item. The accounts show an overall loss of £66m for the year, which has led to a negative free reserves position – i.e. no funds available to allocate in line with approved reserves policy.

The committee had received an update from Director Internal Audit and noted good progress against 24/25 plan and no items of major concern.

The committee noted continued progress on PS Transformation as well as significant projected in-year benefits shortfall and overall lag of 3-4 months, resulting in £8-9m shortfall this year though there is still potentially some over-optimism towards the future. The Chair of the Committee asked SLT to support the leadership of PS transformation to ensure savings are delivered in line with timelines.

## Commercial

No updates (already covered via the other committees' reports).

## **10. Board Strategy Day agenda**

The Chair invited comments on the draft agenda for the November board strategy meeting, and whether the themes were appropriate to help us plan for the next 24+ critical months.

Trustees shared their feedback. The Chair noted that the Chairs of the UK committees have been invited to attend. Trustees were invited to share further feedback with the Chair after the meeting if they felt any other items were missing.

## **11. Any other business**

The Chair made a short speech to recognise Mark Beddy's contribution as trustee and trustees and the executive expressed their appreciation of his valuable contribution during his time.

There was no other business and the meeting finished at 15.00.