

In confidence

Tuesday 26 March 2024 11.00 – 15.30

MINUTES

Trustees present

Paul Thompson (Chair)
Sarah Sands
Mark Beddy
Wendy Alexander
Stephen Deuchar
Tom Drew
Richard Hookway
Malcolm Press
Katy Radford
Clare Reddington
Fiona Salzen
Sushil Saluja
Paul Woodgates

In attendance

Scott McDonald, Chief Executive (CEO)
Richard Thomas, Chief Financial Officer (CFO)
Andy Williams, Chief Operating Officer (COO)
Mark Stephens, Director Cultural Engagement
Mark Walker, Director English & Exams
Andrew Mackenzie, Director IELTS (item 6 & 7)
Helena Tinker, Global Head of Environment (item 11)
Monomita Nag-Chowdhury, Programme Lead, the
Climate Connection (item 11)
Michael Connelly, Director English Programmes (item
12)
Alison Coutts, Secretary

1. Chair's introduction

1.1 Apologies for absence and declarations of interest

David Lefevre and Rageh Omaar 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 February 2024 were approved.

Matters arising

The Chair noted the following. The Framework Agreement has now been approved which is great news as it gives us more flexibility. The Going Global evaluation is nearly complete and there will be a focus session on higher education at a Board meeting later in the year. The loan extension agreement and Annual Report and Accounts have now been completed and the latter submitted to the Charity Commission.

All other matters arising would be covered in the meeting.

2. Chief Executive's report

The Chief Executive made the following remarks.

He had recently hosted a discussion at the Munich Security Conference on the importance of culture and education for the reconstruction of Ukraine, with leaders from the Goethe-Institut, Kyiv's National Museum of Art and Culture, and the Chair of the UK's Foreign Affairs Select Committee. He had also attended the launch of our Spotlight on Culture UK/France programme which has more than 50 activities and 60 partners covering 25 cities in France, with mirrored activity in the UK.

Our Ethics Committee is now operational and has considered various proposals for accepting offers of external funding. It is a complex area, for example some extractive companies are proactively investing in clean energy whilst others are not, so although some proposals have been turned down as they seemed too uncomfortable, for others we have been prepared to take more risk. We are clarifying the scope of the Committee, with the bar for agreement or rejection likely to be different for fundraising than for our contract business and longer-term partnerships. We have also agreed with the Chair that the Nominations Committee will identify a trustee to join the Ethics Committee.

We have extended the loan agreement, filed our Annual Report & Accounts and the performance of the business is strong. However, the budget and plan in the Board pack shows that there are continuing challenges, particularly in the immediate term.

We are preparing for the Spending Review which is likely to be a rollover with a further one due after the election. We need to be more consistent when describing our funding basis to ensure it is correctly understood. We have a strong focus on generating income as it is essential to help us properly deliver impact for the UK and across our network. However, we are clearly not a commercial business, as that would mean many of our programmes and much of our presence overseas would be unviable, so it is important that we use the right language.

3. Network update

The Chief Executive noted the following.

He had travelled to Kyiv with our Country Director Ukraine, to provide support and solidarity to our amazing British Council team who have continued to operate in the middle of a live war

zone. They had also met with teachers and young learners in one of the schools in the heart of the city, where lessons sometimes have to be held inside a bomb shelter. Teams were incredibly positive in spite of the extremely difficult environment and commented that work provides something optimistic to focus on.

We have had better news related to Afghanistan as more previous contractors and their families have arrived in the UK. Others are still awaiting relocation and we continue to work with the FCDO to support them. The Ben Fund is also supporting a number of people suffering hardship, for which we are extremely thankful.

We continue to monitor the situations in the Occupied Palestinian Territories and Israel, in Sudan and Myanmar.

4. CFO report

The Chief Financial Officer gave the following headlines.

Management Accounts

The Management Accounts for February show that we should come in on plan as we near year end, even though continued strong performance is offset by adverse exchange rates.

The Chair of the Finance Committee commented that the overall position demonstrates a substantial turnaround over the year and congratulated the team on a great job.

Draft budget and 5-year plan

The pack contains the draft budget for 2024/25 and the draft 5-year financial plan. The budget is driven by the cashflow and the plan allows us to live within the bounds of our expected income and the £197m loan facility. It shows a deficit in 24/25 for which the main reason is inflation. Also, overheads are higher than we would like as most of the savings from the Professional Services transformation will come through in 2025/26. We aim to keep investment at £50m and have included a contingency of £10m. The biggest variable is exchange rates. We will continue to finesse the budget and will bring it to the Board for approval in May.

The trustees noted that a list of options to apply in an emergency was being prepared and would be shared with the Board in May. It would provide information on how quickly each could be activated, when the benefits would be realised, their value and order of priority. It was also agreed that the top internal risks, for example to the planned savings from the Professional Services transformation, would be quantified and shared.

The draft 5-year plan reflects the budget in the first year but assumptions in the outer years need more work before it comes to the Board for approval. Trustees noted that it included a request for a higher grant and suggested that more detail be provided on the impact it would make to support the UK's international objectives. Overall they agreed that it was a reasonably balanced plan which is not over-optimistic.

The Chair of the Finance Committee noted that the Committee had reviewed the budget and 5-year plan in detail and was content with progress.

India book donation

The CFO request approval from the Board for a donation of 1,000 books, with an estimated value of £1,538, to district libraries of the Andhra Pradesh State Government in India. He also noted that the materiality of the donation does not seem sufficient to warrant Board approval and that during the next review of the Board delegations, the relevant limit will be amended.

The Board approved.

5. COO report

Performance update

The COO gave the following highlights.

To align with the Spending Review and the 5-year plan, we are developing a strategic evidence map which will clearly show the value and impact of our performance for the UK and the countries we operate in. There are many positives in the report though some aspects are still marked amber or red. One of the latter relates to reduced meaningful engagement in education, which is partly due to the channels we are using. The marketing team is now reviewing other tools we can use. The Deputy CEO is leading a huge amount of work in the diversity area so we are confident that this will start improving. Process improvements have been marked red for some time but this is at the heart of the professional services transformation and TCS is now working on them, so progress will accelerate.

Trustees agreed that it was a useful report. They suggested the inclusion of metrics on Digital, English Strategy and Partnerships in future dashboards and also asked that the data be disaggregated for the four UK nations where possible.

Corporate Plan

The CFO noted that the Corporate Plan (the plan) is an update to the 2-year plan published earlier this financial year but focuses on 2024-25 only. It is still in draft and the final version will be shared at the Board meeting in May for review and approval.

Trustees commented as follows. Overall it is a good document and the introduction provides a clear overview. It would be helpful to have clarity on what has changed since the last plan as well as a brief on the intended audience and the communications plan. The principal risk section could be less generic with a focus on the real risks for the British Council this coming year. More information on the 90th anniversary and related activities would also be useful in order to understand why it is so prominent in the plan.

Professional Services

The COO noted the following. One of our main concerns relates to technology enablers which is an area tagged as 'red' in the performance report. The partnership with TCS will help us as they will bring in significant technological innovations and process improvements. However, we have some challenges, partly caused by an organisational culture clash - our internal teams

want more assurance on the integrity of processes whilst TCS are willing to go faster and take more risk – so we are working to strike the right balance. We are also pushing for a better standard of documentation from our partner. In the meantime the transfer of services to TCS is going well and the continuity of services has been smooth.

6. IELTS partnership update

The Chair welcomed Andrew Mackenzie, Director IELTS to the meeting.

Director English & Exams summarised the main points in the paper, noting that the IELTS partnership is extremely important but it needs attention to ensure it remains effective in a constantly changing landscape. All three partners are keen to develop it and have met to discuss what each wants from the partnership and to consider options to improve the governance. We have now agreed new Terms of Reference and changed the governance to ensure we are more closely aligned, have clearer decision-making processes, eliminate duplication and address cost replication.

The Chair of the Commercial Committee commented that the Committee had reviewed and advised on various iterations of the proposed approach and that it was content to support the version presented to the Board. Trustees agreed that it was much improved. They also requested a summary view of what has changed in the competitive environment in the last few years. It was agreed that a progress report would come to the Board in a year's time.

7. IELTS UKVI tender

Director English & Exams referred to the background paper and requested trustees to approve a new tender submission to UK Visas and Immigration (UKVI) for the delivery of Secure English Language Testing (SELT) as part of the IELTS SELT Consortium (Cambridge University Press and Assessment, IDP and British Council).

The Board approved.

8. Cambridge English contract amendment

Director English & Exams noted that we deliver English language exams for Cambridge University Press and Assessment (CUPA) in 34 countries. Following a recent decision by CUPA to stop using our services in 5 significant countries at short notice, we have agreed a contract amendment which will increase the notice period for termination for convenience for both parties from currently 3 to 12 months. This will allow our staff to plan better.

The Board approved.

9. Committee meeting reports

Audit & Risk

The Chair of the Audit & Risk Committee reported as follows. The Committee had met twice since the previous Board meeting and focused on finalising the Annual Report and Accounts which have now been filed. It had also reviewed the principal risks, risks associated with the professional services transformation, the internal control environment, and had approved the audit plan for next year and the fees for the auditors.

Members of the Committee raised a concern on the frequency of requests for approval of indemnities being sent to the Committee for urgent attention. This a complex area and each needs considerable attention to understand, yet often the risk is low. Management agreed to address this through amending the Board's delegations to the executive, so that only the highest risk indemnities would go to the Committee for approval.

Commercial

The Chair of the Commercial Committee noted that the Committee had reviewed the English & Exams strategy and had had a good discussion on franchising in teaching, which is a topic it will come back to.

Finance

The Chair of the Finance Committee noted that he had shared the Committee's views during earlier items and had nothing further to add.

10. Committees' Terms of Reference Annual review

The Board was reminded that the Terms of Reference for each of the Board Committees are reviewed annually. The most recent review had now been completed with some minor changes made which had been highlighted in the board pack. The Committee Chairs noted that they were content with the changes for their respective Committees and recommended them for approval.

The Board approved the presented Terms of Reference for the following Committees: Audit & Risk, Commercial, Finance and Remuneration & People.

It also approved the presented Terms of Reference for the Nominations Committee subject to the inclusion of the requirement to comply with the Framework Agreement in terms of appointments.

11. Climate change strategy

The Chair welcomed Helena Tinker, Global Head of Environment and Monomita Nag-Chowdhury, Programme Lead – the Climate Connection, to the meeting.

The team referred to the draft strategy set out in the paper which sets out how we intend to embed climate change in our arts and culture, education (non-formal as well as formal), and English language programmes and also to meet our own net zero ambitions. We have

increased our internal capacity to some extent to enable us to deliver, whilst we will also draw on the expertise of our networks.

Trustees agreed that it was great to see a strategy in this area and made the following comments. It could be clearer on its intended impact on our programmes and it will be important to build in research and evaluation. It would also be useful to set out the staging posts for reaching the net zero target for 2040 for decarbonising our work and the costs of doing so.

They also noted that although climate change is an important theme and a tool for building connections, we must be careful to remain true to our purpose. It makes sense to use it appropriately in our programmes and it is good for the UK's reputation, but we must be clear that there is a line and it is not our role to take a public position or engage in climate activism.

12. Spotlight on schools programme

The Chair welcomed Michael Connelly, Director English Programmes, to the meeting.

Director Cultural Engagement and Michael Connelly noted that the session would focus on our Schools and English programmes and made the following points. Our schools programme aims to improve basic education in the UK and overseas by sharing learning from the most successful school systems around the world, to help UK schools to internationalise their curricula, and to use UK expertise to support school system reform and development around the world. Our English programme works with overseas governments and UK and international partners to bring about sustainable improvements to the teaching, learning and assessment of English. There is great demand for our work in both areas, often overlapping, so we've reviewed the structure and governance of both and are bringing them more closely together to deliver better value and be more efficient. They then gave more detail on what the programmes are delivering and how they are received.

Trustees agreed that both are excellent programmes with huge potential and were particularly impressed with the international side of the work. They also noted the importance of working directly with DfE, the devolved governments and policy makers across the sector in the UK to understand their priorities and increase their awareness of the value we can add.

13. Any other business

The Chair noted that this was Tom Drew's final day as a trustee and thanked him on behalf of the Board and the Senior Leadership Team for his huge support and valuable contribution over the last few years.

He also noted that Richard Thomas, CFO, would be leaving the organisation in a couple of months' time and thanked him for all his support during a time of particular financial challenge.

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