

In confidence

Tuesday 02 July 2024 10.00 – 14.30

MINUTES

Trustees present

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

In attendance

Scott McDonald, Chief Executive (CEO)
Kate Ewart-Biggs, Deputy Chief Executive
Richard Thomas, Chief Financial Officer (CFO)
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)
Swami Venguswami, Global Head, TCS iON, Tata
Consultancy Services (item 4)
Gopalan Rajagopalan, Head TCS Scotland & UK/I Sales
Director (item 4)
Eleanor Hampson, Director Global Business Services
(item 4)
Rachel Warne, Head of Risk (item 5)
Lucy Philippon, Head of External Relations (item 6)
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 16 May 2024 were approved.

Matters arising

The Chair noted the following.

Action points from the previous Board meeting are progressing well with several verbal updates on the agenda for today. Although the Board approved the Corporate Plan in May, publishing has been delayed until after the election but it will be online shortly. We have the Board strategy day in November and are starting to think about topics for the agenda. It would be helpful if trustees emailed the Chair, CEO and Secretary with any suggestions. We are hosting a gala dinner on 3 December to mark the organisation's 90th anniversary and it would be appreciated if trustees could promote it amongst their contacts or share suggested names with our Director Development.

All other matters arising would be covered in the meeting.

2. Chief Executive's report

The Chief Executive made the following remarks.

The financial position is overall on track for the first quarter of the year although foreign exchange rates continue to work against us. Immigration controls in various countries are having an impact on IELTS which is raising some concerns amongst the partners. Trustees will be updated on this further at the next meeting.

We are preparing for the Spending Review in the autumn and will make a strong bid, although we know that the government's finances will be considerably constrained. We also sought legal advice on how any changes to the terms of the loan would comply with the Subsidy Control Act. In short, we would have to demonstrate how any choices would meet the seven principles of the Act. We have prepared a case for this and will submit it to the government once it has settled in.

We are proceeding with plans for the disposal of various fixed assets as shared with trustees in May and will keep the Board updated.

We have also been exploring the potential opportunity to work with education agents which was raised at the previous Board meeting. We are now reaching out to potential partners for their views and will update trustees at the next meeting.

3. Network update

Director International Operations updated trustees on the situations in Afghanistan, Ukraine, Israel and the Occupied Palestinian Territories as well as in other countries where there has been unrest.

4. Professional services presentation

The Chair welcomed Swami Venguswamy, Gopalan Rajagopalan and Eleanor Hampson to the meeting.

Swami and Gopalan gave a presentation on how the outsourcing arrangement is progressing from their point of view and noted the following. Overall, the transition has been smooth, helped by the fact that many of the British Council's experienced staff had transferred to TCS. Work continues on aligning ways of working and organisational cultures, and also on exploring extra benefits which could be adopted based on industry good practice.

Trustees appreciated hearing their perspectives and thanked them for taking the time to talk to them. They noted progress made but also that they would like to see TCS take more proactive leadership, share their expertise and to be more challenging. It was also agreed that the CEOs of both TCS and the British Council would meet in three months or so to review progress further.

5. COO report

The Chair welcomed Rachel Warne to the meeting.

Principal and emerging risks and statement of risk appetite

The COO and Rachel referred to the papers and noted the following. The principal risks had been updated to focus on the most significant risks facing the organisation and to include more detail on risk indicators. The statement of risk appetite had also been updated, with a reduction of the number of categories and a widened risk appetite scale to make it clearer and more relevant. The Chair of the Audit & Risk Committee commented that the Committee had reviewed both documents and had discussed how they are used in practice and how progress is measured. Overall they were satisfied and content to recommend them for Board approval.

The Board approved and agreed that they provided a high level of assurance.

6. Spending review approach

The Chair welcomed Lucy Philippon to the meeting. Director Strategy set out the proposed approach to preparing for the next spending review and noted the following. As yet it is unclear whether the spending review would cover one or three years so we are preparing for both. The financial environment is likely to remain tough and we will need to be very clear on the positive difference we can make for the whole of the UK and how we provide value for money. We are also working closely with stakeholders to ensure we are supporting their priorities.

The Board made suggestions for the executive to consider as they finalise the submission. Overall, they supported the approach and appreciated the thought that had been put into it. They also appreciated the clear summary of efficiencies and savings already made over the last couple of years.

7. CFO report

Short and long-term funding approach

The CFO noted that although the Budget and 5-year plan approved at the last Board meeting project growth, external economic and geopolitical factors create significant on-going financial risks. He then set out the short and longer-term scenarios and options which the Senior Leadership Team are exploring to mitigate against the risks.

Trustees agreed that this is an important piece of work which must be continued. They also commented that the narrative should be more balanced and include the measures we have already taken to increase income and cut costs over the last three years. This would give the full picture which is important.

Management Accounts

The CFO noted the following. Overall income year-to-date is in line with expectations and although the accounts suggest that we are ahead of forecast this is just a timing difference. Overheads and investment spend are slightly below budget at this early point in the year. Foreign exchange volatility remains a major risk due to continued strengthening of Sterling against most currencies. We are holding £10m against trading and foreign exchange risks for the year.

The CFO also updated trustees on the position related to the CBEVE pension scheme. The Finance Committee had reviewed the position, noting that a valuation of the fund was complex and unlikely to realise much surplus. The Trustees of the scheme are considering next steps.

Delegated authorities

The Chair of the Audit & Risk Committee noted that the Committee had reviewed and were content with the proposed changes and recommended them to the Board for approval.

The Board approved.

8. Approvals

FCDO contract opportunity

Director Cultural Engagement noted that the FCDO are seeking a Fund Manager for their £100m International Development Volunteering Programme (IDVP) for which our expertise in the non-formal education sector and in running mobility programmes would be relevant. He requested Board approval to submit a proposal.

The Board approved.

ACCA contract amendment

Director English & Exams noted that we are seeking approval to sign contract amendments with ACCA which will extend the services we currently provide to ACCA until 2027.

The Board approved.
EnglishScore

Director English & Exams referred to the legal joint venture set up between Blenheim Chalcot and the British Council and noted that Blenheim Chalcot had informed us that they intend to sell their share with immediate effect. We have appointed advisers to help us consider options, one of which is to buy Blenheim Chalcot's stake. Discussions with the Commercial Committee concluded that this should be the preferred option if a reasonable valuation could be achieved. The Board was asked to delegate approval to the CEO to purchase the remaining shares of EnglishScore for no more than £4m if agreement is reached, with the delegation to expire on 1 September 2024.

The Board approved.

9. Reports from Committees

Finance

The Chair of the Finance Committee noted that most matters reviewed at the Committee meeting had been covered today but that it had also looked at the trapped cash position, which is starting to improve and is now a standing item. It had also noted that the CFO has commissioned a short external review on how the finance strand of the professional services transformation programme is progressing and that he will report back at next meeting.

Audit & Risk

The Chair of the Audit & Risk Committee noted that in addition to areas covered at the meeting today, the Committee had taken a first look at the draft accounts for 2023-24, received the Internal Audit annual report and opinion, had been pleased to see an excellent external quality assessment of the internal audit function and had a useful discussion on debt management and credit control. He also noted that it had discussed the pressure on the finance function from the professional services transformation programme and had agreed that progress should be reviewed by one Board committee only, to reduce the load on the team. This was agreed.

Commercial

The Chair of the Commercial Committee noted that most matters discussed at the Committee meeting had been covered today and in addition it had had a useful presentation on our business in Pakistan and a helpful initial discussion on AI.

10. Any other business

There was no other business and the meeting finished at 14.00.