

In confidence

BCB (08) 2nd meeting

Tuesday 1 April 2008

DRAFT MINUTES

Present

Neil Kinnock (Chair) (items 1-9)
Nihal Arthanayake
Alan Buckle
Charles Grant (items 1-12)
Claire Ighodaro
Jude Kelly (items 1-11)
Gerard Lemos
Tim O'Shea
Elan Closs Stephens

In attendance

Martin Davidson, Chief Executive
Mark Robson, Director Operations
Cathy Stephens, Director Innovation
Bidesh Sarkar, Director Resources
John Worne, Director Strategy and External Relations
Kieron Gavan, Director Commercial & Business Partnerships (item 7)
Anne Wozencraft, Director Human Resources (item 9)
Julia Race, Secretary

1. Apologies for absence

Apologies had been received from Steve Jones and Zeinab Badawi.

The Chair needed to leave at the end of item 9 in order to speak in a House of Lords debate. The Deputy Chair chaired the remainder of the meeting.

2. Minutes of the Board meeting of February 2008

The minutes were approved.

A final version of Corporate Plan, incorporating comments made by trustees at the last meeting, was tabled. The draft of a booklet for staff on the way ahead was also circulated.

There were no other matters arising.

3. Oral report from the Chair of the Audit Committee

The Chair of the Audit Committee, Alan Buckle, reported to the Board on the last meeting of the committee, held on 20 February. The 2007/08 accounts were in good shape, though the organisation still needed to calculate the likely extent of tax liability. No response had been received from the Russian tax authorities to the British Council appeal.¹ The National Audit Office study on value for money in the British Council would come to the main Board. On FABS, Alan reported that financial reporting felt safer; the underlying system

¹ This has since been received. The appeal has not been upheld; the amount is unchanged. A payment has been made in respect of St Petersburg in line with the Board decision.

issues would be addressed by the Board later in the meeting. Finally, he reported that new Director Resources had made a very good start and would be bringing proposals on internal audit to the next committee meeting.

4. Chair's business

As Chair of the Nominations and Remuneration committees, the Chair reported back that the open recruitment of trustees was about to be launched, with a closing date for applications of 5 May. Suggestions from trustees were welcome. Longlisting would take place in the week of 12 May, followed by shortlisting and a limited number of interviews. Candidates proposed by others would only be contacted if longlisted.

The Radio 4 documentary, entitled "Inside the British Council", would be broadcast that evening at 8pm.

5. Chief Executive's report

Martin Davidson drew attention to the final version of the Corporate Plan which had been tabled. He recognised that the Plan did not bring out fully the issues on the cost base which the Board had raised but this would be actively addressed in implementation.

*Information in this section has been redacted/removed as it is likely to be exempt from disclosure on the grounds defined at Section 36 of the Freedom of Information Act 2000.**

The existing fraud policy framework would be restated to the organisation and a fraud awareness programme that met standards of good practice would be instituted.

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The annual Foreign Affairs Committee hearing was likely to take place after the summer recess.

The annual Advisory Board meeting was in trustees' diaries for 22-23 October. Trustees were invited to volunteer to work with the executive. The Chair requested an appraisal of the necessity of the meeting as well as an evaluation following the event. If it was agreed that it should go ahead, this should be confirmed by mid-June. The Chair would follow up with trustee volunteers the following week.

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6. Financial Management

- **Reserves Policy**

The proposed new policy outlined in the paper maintained the three "zones" established in the 2004 policy, but was expressed in principles rather than amounts, in order for it to remain current. The amount proposed for the top of the "green" zone (funds for investment) represented non-grant income for a period of 1.5 months.

The Board approved the new policy, which would henceforth be reviewed annually, at the same time as approval of the annual accounts, and with continued reference to any risk arising from our status overseas, since following recent publicity, further tax demands could be anticipated.

Progress towards reaching the top of the green zone needed to be made gradually.

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An investigation into transfer pricing policies was requested.

- **Risk management of fluctuation in foreign exchange rates**

The presentation outlined the context, notably the withdrawal of the Overseas Price Mechanism, weaker sterling and the accumulation of foreign exchange balances.

The Board reviewed the proposals for how best to manage fluctuating exchange rates, in advance of a formal proposal in July.

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The full proposal to the July Board should include governance arrangements, any disadvantages of the proposed approach and the likely number of contracts.

7. Any other business

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- **Approval of revised Terms of Reference for Board sub-committees**

The Board approved the terms of reference for the Audit, Remuneration and Nominations sub-committees, which had each been reviewed by the subcommittee concerned.

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Presentation: Fewer, bigger, better: our large scale products

Following the discussion on strategy at the Board awayday in February, trustees considered how the move from local to large-scale products (the target was for the ratio to move from 83:17 in 2006/07 to 20:80 in 2010/11) contributed to the new ambitions for the British Council.

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Views varied on the speed of the journey, with some concern expressed on the feeling of constant disruption reflected in the staff survey results, while others were disappointed that progress had not been faster, particularly on global products. Innovation was likely to be drawn from regional successes but incentives were also needed for externally-focused product development. The use of an exemplar against criteria could be helpful to avoid proposals being taken through commissioning in order of submission. Ensuring that the UK operation engaged with the move to large-scale products was a challenge and these attitudes were reflected in the staff survey results. The distinctive creativity of the British Council approach could be developed further with the new models, including the creation of dispersed teams able to respond rapidly to opportunities. The changes would affect the nature of employment and the skills mix in the organisation.

The Board would hold regular discussions on product development.

The Chair left the meeting at the end of this item. The Deputy Chair chaired the remainder of the meeting.

8. Business Systems Transformation programme

The programme had four elements: the FABS rollout, the provision of global shared services through accounting hubs, global banking and the global performance system. A review had been undertaken with external support from Detica.

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Trustees agreed that the FABS rollout had been an ambitious project, rarely undertaken in an organisation with presence in over 100 diverse countries, and that reaching completion would continue to be disruptive. There was no appetite for a further major IT procurement.

The Board discussed the three options proposed for the next stage: (1) an integrated IS programme, (2) process transformation and (3) business transformation. Given the British Council track record on cost control and realising benefits, there was caution about adopting option 3, which ran counter to organisational culture. There was general support for adoption of the second option, but a prior requirement would be a commitment to complete option 1 by 2010 with the system stabilised and evidence of improved processes. Cost reduction was an absolute requirement.

The Board requested proposals giving clarity on the governance, notably the project director, steering committee including externals, and the role of the Board of trustees, and reassurance on the skills and external support which would be required. Further analysis of the financial implications was needed, depending on whether the options were followed sequentially. Director Resources reported that where he worked previously, in a commercial environment, option 1 had been adopted, followed by 2 then 3. A case study of implementation and benefits in another organisation, which had a similar mix of public and commercial activity and presence in over 100 countries, would be very useful.

9. Arts

This was an additional item, at the request of Jude Kelly, who had not been present at the February Board, but had exceptionally emailed the trustees the previous evening.

*Information in the above paragraph has been redacted/removed because it constitutes personal data and is protected in accordance with Section 40(2) of the Freedom of Information Act 2000.**

In her view there was a requirement for a discussion on the arts at the next Board meeting.

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There was then a short discussion on the British Council as a cultural relations organisation, and general agreement that the consultation process, which had raised fundamental questions about the nature of Council work in the arts, needed to link the arts work to the new overall strategy. As well as renewing relationships with existing contacts, it was necessary to engage the kind of partners who would help make large-scale projects a success.

It was agreed that Jude, Nihal and Elan would be invited to work with the executive on the next stage of the arts strategy.

A paper on the role of the arts in cultural relations would come to the Board in May. This would include definition of work which would no longer be supported under the strategy and therefore which partners would not have their previous expectations met.

The Deputy Chair would brief the Chair on the discussion.

10. 2008 Staff Survey by MORI: results and actions

Given the importance of the topic, this item was postponed to the May Board. The paper should be revised to reflect how the results had been received in the organisation and first steps on the actions planned in response.

11. Strategy update

Following the discussions at the meetings in November and February, the Board reviewed progress towards the new scale of ambition. An additional element to the strands laid out in the presentation would be introduced on people and culture, to embed the changes in the organisation.

The Board discussed the revised proposals tabled on a new vision and purpose. The first slide outlining the role of the Council within a "crowded, dangerous, beautiful world" was very well received. The Board was also content with the proposed formulations on belief and winning trust and influence. There was a preference not to mention any specific sector of British Council work, but rather to focus on the exchange of knowledge and ideas. The "Inspiring people" strapline was not endorsed.

John Worne would lead further work through bilateral discussion and begin introducing the new concepts into the organisation.

Following further work with external consultants, in July the Board would receive a presentation with high level parameters, how they would be tackled and more detailed metrics on the targets.

Trustees responded positively on the use of presentations rather than formal papers for certain issues. The papers for this Board meeting were viewed as being of high quality.

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* Enquiries regarding the redacted information contained within this document should be directed to the Freedom of Information Officer, British Council, 10 Spring Gardens, London SW1A 2BN (FOI@britishcouncil.org).