

In confidence

BCB (08) 2nd meeting

Tuesday 12 February 2008

MINUTES

Present

Rt Hon Neil Kinnock (Chair)
Nihal Arthanayake
Zeinab Badawi (items 5-9)
Charles Grant
Rick Haythornthwaite (items 1-7, 9 and afternoon session)
Claire Ighodaro
Steve Jones
Gerard Lemos
Tim O'Shea (items 1-7 and 9)
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
Terry Toney, Regional Director South East Europe (afternoon session)
Julia Race, Secretary

1. Apologies for absence

Apologies had been received from Jude Kelly, who was in Japan, but who had emailed all trustees on the arts the previous evening. Alan Buckle was in Dubai and would be seeing the Regional Director. Trustees were invited to think of potential candidates who could be invited to apply to replace Rick and also Jude and Charles, who would all be leaving the Board by the end of the year. Areas of expertise of particular value to the work of the Board were arts including arts management, business, academia, English language and new media. Younger trustees would be welcomed. The process would be by open recruitment led by the Nominations committee.

2. Minutes and matters arising

On the Advisory Board meeting, the dates of 22-23 October had been identified for the 2008 meeting. The executive was working on a possible re-modelling of the event, to give it an advocacy and reputation-enhancing purpose. The Board would be asked to take a decision on future of the Advisory Board in the April meeting.

The minutes were approved.

3. Chair's business

On behalf of the Board, the Chair congratulated Tim O'Shea on his Knighthood, Claire Ighodaro on her CBE, both in the New Year Honours, and Rick Haythornthwaite on his appointment as Chair of the new Risk and Regulation Advisory Council (successor to the Better Regulation Commission).

Rick had also been appointed Chair of the Southbank Centre and would be resigning with effect from 13 February to focus on that task. The Chair thanked him warmly for his contributions as a trustee over the last five years, including his "mystery shopper" visits to Council offices overseas. The 75th anniversary would

provide opportunities for continued collaboration. The Chair presented Rick with a print to thank him and to remind him of the British Council.

The Chair reported that the 75th anniversary project was underway with Ginny Marriott appointed as project manager. The three-fold purpose was to build the British Council's profile and reputation in the UK; to affirm cultural relations as a public good and the British Council as a world authority in that area; to use a celebration of our past to strengthen British Council positioning as an organisation for the future.

The Chair reported that File on Four would be making a radio documentary on the British Council and recording in Egypt, probably while the Deputy Chair was visiting. The focus of the programme was not yet clear.

4. Chief Executive's report

Martin reported that in the course of his visit to Southern Africa with Claire Ighodaro he had been satisfied that post FABS implementation controls were now up to date. A small (positive) adjustment to the accounts would be needed. Control was difficult to implement in Zimbabwe with staff paid in cash on different days of the month. A decision had been taken to move the regional financial hub from Southern Africa to Delhi. Claire observed that training needed to be relevant and not too far ahead of roll-out. The Board commented that the organisation seemed to find it hard to learn lessons from the experience and on the need for clear leadership. Primary concerns were around whether business had actually been transformed and benefits realised as well as the governance of FABS. Bidesh reported that an external review was taking stock of business transformation more widely; the results and a comparison between the original FABS business case with the benefits and forthcoming milestones would be reported to the Board in April.

Martin reported new thinking on integrating responsibility for business management with accountability for strategy; the Executive Board would examine monthly progress against business targets. The new performance management system would focus on measuring whether targets cascaded from the Corporate Plan via the Exec Board were met, rather than the competencies deployed. The Board requested distribution of the new organogram when available.

Martin reported on the impact made by the six 16-19 year olds selected by the group of 54 young people to attend Davos. Claire Ighodaro reported positively on her visit to Portugal for the 70th anniversary with Mark Robson and paid tribute to the office there.

5. Finance and Activity Performance Report to December 2007

The report reflected the situation three quarters of the way through the current financial year. Bidesh drew attention to the fact that a £3.2m overspend was forecast but that 53% of grant programme spend would need to take place in the last quarter. The Board was exercised about the perceived inaccurate reporting and any risk of inappropriate spend towards the end of the financial year. Improved profiling and a managed plan of activity and expenditure across the three years of the Comprehensive Spending Review period would address this though Tim thought it might be a two-year CSR. Rick asked about the NAO view on the capital expenditure allocation; Bidesh reported they were content.

The high level of corporate platform spend in the last quarter was due to one-off payments including server rationalisation, telephone systems and office moves.

The Board was pleased with the increase in the reserves. An item on reserves policy would come to the Board on 1 April. Status and tax resolution might have implications for those reserves and in May the Board would review progress in resolving status and tax, particularly in the countries where it was considered critical.

6. Corporate Plan 2008/11

The plan for the next three years (corresponding with the period of the Comprehensive Spending Review) was a demanding version of "business as usual", rather than the longer-term transformation which would be discussed in the afternoon. A one-page summary of financial targets was circulated. The overall aim was to increase the non-grant business (9% over three years) and efficiencies to achieve savings of £18m over three years.

The paper was positively received overall. The figures were ambitious and the Board asked how the effects of a global recession would be addressed. The assumptions on staff costs and inflation were also queried.

The Board discussed the issue of flexibility in local spend, to make a difference particularly in "swing countries". Under the Plan, small operations would deliver corporate programmes while large operations would be able to develop activities which could then be scaled up and delivered elsewhere. Some countries in a region might receive more grant, others less. Martin agreed to bring some sub-regional analysis of grant expenditure to the April Board.

While the ambitions were clear, the numbers did not show clearly how the cost line would be kept flat. There needed to be more management of the bottom line through "operational leverage" or productivity.

In terms of content, the Board debated internal capacity in climate change, which had been agreed as a theme for the three-year period. There was also a discussion about ensuring that the approach and language of the corporate outcomes fed through into projects. In the intercultural dialogue area some trustees felt that work needed to be balanced and not focus on one religion. Others felt that the focus on Islam in the "Our shared Europe" project was justified.

7. Russia

Information in this section has been redacted/removed as it is likely to be exempt from disclosure on the grounds that it is "subject to legal professional privilege" as defined in Section 42 of the Freedom of Information Act 2000*.

The Board welcomed the direct and indirect support that had been received from European counterparts and in Russia, including senior figures close to government. The Chair had been in repeated contact with the Foreign Secretary. The FCO had agreed that there should be no retaliation and no re-opening of cultural relations activity in St Petersburg. This approach was welcome. At the same time the comments of the Russian Ambassador at a House of Lords hearing, eclectically linking the British Council case to the issues of visas and intelligence, illustrated the importance of the arms length relationship.

8. Our work in the arts

The consultation paper had been circulated in advance of the meeting. The Board had been due to meet the new Director Arts at the November Board for a discussion on the arts strategy but the item had been postponed because of pressure of Board business. In the meantime a restructuring which was essentially a hangover from the UK Ops change had been publicly misrepresented through the media as implying a move of support away from the arts.

The new approach placed work in the arts within the context of the British Council cultural relations agenda. The four areas identified in the consultation document were: showcasing UK excellence, internationalism, creative economy networks and integrated cultural relations programmes. The paper was well received. The Chair suggested that the link to the cultural relations agenda should be strengthened further. Under the strategy it was likely that the Council would do less in showcasing and be working with new partners in the arts and less with proponents of art for art's sake. The language needed to engage the new target groups.

If negative media coverage resulting from the proposed changes was discovered to have been exacerbated by information from staff, this would constitute unacceptable behaviour and would be addressed by the executive.

Trustees discussed the extent to which the arts could be used to achieve policy outcomes in cultural relations, rather than merely to stimulating debate. There was support for the consultations being led by a senior independent figure from the arts.

The Board queried whether the creative industries were really the second largest sector in the UK. It was not the role of the Council to promote profitable industries but rather to bring people together through the arts, which might include bringing in talent from overseas to enhance their skills. Guest lists for the strategy consultation meetings and dinners needed to reflect these aims.

The Board discussed the points made in Jude Kelly's email. Martin had decided not to elevate the arts as a sector within the organisation by having an arts specialist on the Executive Board. He agreed that the organisation needed to expand its advocacy and anticipated that the consultation would help in this aim. It would be useful for senior arts figures including Board members to speak out in support of the strategy and of the position of the British Council at the forefront of cultural relations, rather than the arts or science. On the

issue of consultation of the Board of trustees, while it was regrettable there had been no discussion in November the agenda made that understandable and it was not, in any event, the role of the Board to change internal structures.

The Board endorsed the strategic shift for British Council arts work proposed in the consultation paper.

9. Any other business

- **Resolution on new Director Resources**

The Board delegated authority to Bidesh Sarkar, in the absence of Martin Davidson and by his delegation as CEO, to appoint bankers, authorise named representatives of the British Council to open and close bank accounts and deal with related banking matters.

- **Sale and purchase of premises in Mumbai**

The Board endorsed the sale of existing and purchase of premises in Mumbai, as outlined in the paper.

- **Update on our work in Pakistan**

The paper was received by the Board.

The Board meeting was followed by a workshop for trustees and the Executive Board on strategic direction, to follow up the discussion in November.

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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).