

In confidence

BCB (08) 4th meeting

Tuesday 22 July 2008

## **MINUTES**

### **Present**

Neil Kinnock (Chair)  
Alan Buckle (except 3.1)  
Charles Grant  
Claire Ighodaro  
Steve Jones  
Gerard Lemos  
Elan Closs Stephens

### **In attendance** (except items 3.1 and 3.2)

Martin Davidson, Chief Executive  
Mark Robson, Director Operations  
Bidesh Sarkar, Director Resources  
Cathy Stephens, Director Innovation  
John Worne, Director Strategy and External Relations  
Julia Race, Secretary (all items)

### **1. Apologies for absence**

Apologies had been received from Nihal Arthanayake, Zeinab Badawi, Jude Kelly and Tim O'Shea.

### **2. Minutes of the Board meeting of May 2008 and matters arising**

On the issue of widening political contacts, the CEO had recently met with senior Conservatives and Liberal Democrats shadowing foreign affairs, culture and international development. It was important to emphasise the British Council contribution to UK long-term international agendas, rather than day-to-day political affairs. This was enabled by our commitment to political balance, by the planned increase in other income, which would in turn decrease the grant as a percentage of turnover, and by the fact that international trust was an objective shared across the UK political parties. Work was underway on the economics of our positioning on the international relations spectrum; cultural relations represented good value for money in comparison to defence and aid expenditure.

Trustees were sceptical at the 60% of public recognition of the British Council reported among the adult AB population. More needed to be done in general and specifically with newer members of the current Opposition. The Deputy Chair was working with the executive on political contacts and there would be a full report before the end of the year. The 75th anniversary would be used to raise UK profile, particularly among future leaders and influencers. One area suggested for consideration by a Trustee was in focussing on the arts for democracy, including protest songs. There were a number of other anniversaries falling in 2009 which could be linked to the British Council celebration.

The one-page summary on British Council work in intercultural dialogue requested at the last meeting would be available shortly.

The consultation report and action plan for British Council work in the arts would be launched on 25 July. The CEO would report further under item 5.

The minutes were approved.

### **3. Chair's business including the election of trustees**

#### **3.1 Re-election of Alan Buckle**

The Chair had raised this issue at the May meeting and now proposed the re-election of Alan Buckle with enthusiasm. The trustees present unanimously approved the re-election for a period of three years from 1 September 2008. Although absent, Jude Kelly had sent her vote in favour to the Secretary. The necessary quorum of seven votes had been attained and Alan Buckle was therefore duly re-elected.

#### **3.2 Election of new trustees**

The seven trustees present unanimously approved the proposed elections:

Pam Gillies was elected for three years from 16 September 2008.

Raoul Shah was elected for three years from 16 September 2008.

Sue Hoyle was elected for three years from 16 September 2008.

Tony Hall was elected for three years from 16 September 2008.

The Chair would consider possible membership of sub-Committees and discuss this with Alan Buckle as Chair of the Audit Committee.

According to the Royal Charter, the Board should number between ten and fifteen trustees. The Board noted that with the end of tenure departure of Jude Kelly and Charles Grant before the end of 2008, and the arrival of the new trustees, the size of the Board would increase to thirteen.

The Board discussed whether the term of office of the co-opted trustee, representing the UK devolved country advisory Committees, should be three years, like the elected trustees, rather than two, as currently. The reasoning behind the two-year mandate was to enable rotation between the three country chairs and to ensure regular participation in the Board of trustees from all UK countries. The principle of rotation was endorsed.

#### **3.3 Support to the Board**

The Chair announced that Andy Mackay would succeed Julia Race as Secretary to the Board, and also take up the post of Head Corporate Affairs, with effect from 21 August. Andy would be returning to the British Council from a two year secondment to the FCO, where his responsibilities had included setting up and acting as secretary to the Public Diplomacy Board. Before his secondment, he had run British Council operations in the USA, Barcelona and Dubai.

On behalf of the Board, the Chair warmly thanked Julia Race for her excellent work as Secretary to the British Council over the last three years. From 28 July, while Julia was on training and holiday before leaving for her new job in Egypt, Andrew Fotheringham would be the point of contact for trustees.

#### **3.4 Report on the work of the Remuneration Committee**

The Chair reported that the Remuneration Committee had met to review performance against agreed objectives, associated pay rises and bonus eligibility for the CEO and the four members of the Executive Board for the period from April 2007 to March 2008.

The four new members of the Executive Board were all awarded ratings of "successful" on the three-box rating system, which would shortly be amended to a five-box system. Bonuses of between 7.5% and 10% had been awarded against specific objectives.

The Remuneration Committee had concluded that the CEO had also had a successful first year. The Committee considered that areas for particular focus in the coming year included an increased role in championing content development for global products and services and in emphasising the critical importance of effective talent management and acting accordingly.

Overall, the Remuneration Committee came to the following conclusions:

- the approach of objective setting and bonus-related awards was working well
- the 15% available for potential bonus will be allocated to specific, agreed objectives in 08/09
- objective-setting is a critical part of the process: objectives therefore need to be focused, stretching and 'hard-edged'

- to promote wider change in the organisation it is essential to explain, emphasise and cascade the principles and purposes of clear accountability and objective setting through the lines of management, and consistently to check that they are understood and implemented.

#### **4. Report from the Chair of the Audit Committee**

Alan Buckle reported that the 2007/08 financial year-end had gone well and he congratulated Bidesh Sarkar, Seema Soni and their team. The main point raised by the National Audit Office as the British Council's external auditor related to whether our work in governance was in line with our charitable objects. Along with Audit Committee members, the Chief Executive and Chair had firmly asserted the complete consistency between our governance work under the terms of the Charter and our Charitable Status.

The other main issues addressed by the Committee were the shaping of the internal audit function, fraud prevention and response, and risk management. It had been agreed that the internal audit function would be retained in-house, with an outsourcing partner (Deloitte), but that the team would be structured regionally. The Executive Board would bring a transition plan to the Audit Committee.

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

The CEO thanked those trustees who had attended the Barbican performance of "Black Watch" reported the favourable reaction of influential figures from outside the British Council who had attended by invitation. He planned more events of a similar quality to introduce our cultural relations work to influential contacts who were not sufficiently familiar with the British Council and our work.

The House of Commons Public Accounts Committee hearing had gone well. The CEO was following up the issue of fair competition in our full cost recovery work, particularly teaching, by establishing a specific mechanism for oversight.

The CEO reported that he had had a constructive meeting with the Foreign Secretary and the Secretary of State for Culture, Media and Sport. There was clearly a role for the British Council as a coordinator on the international dimension of the arts and the Council would be organising a meeting of partners in September. In addition, Graham Devlin had been contracted to carry out an external consultancy in the arts, which would address the identification of partners to work with the British Council, and the diversity of those partners in the UK. Given previous experience, trustees recommended that external communications expertise be used to launch Mr Devlin's report in September.

The Board then discussed the relationship between work in the arts and that in other sectors, specifically science, and the extent of British Council involvement in international scientific cooperation. The executive would bring a paper to the Board in early 2009.

#### **6. Organisational performance report**

Discussion of the report focused on the pace of the move to large-scale products of which Connecting Classrooms, which had recently been approved, was a good example.

There was a correction to slide 19 of the presentation on the New Scale of Ambition. The percentages in the second pie chart represented current forecasts for 2008/09 (local 39%: large scale 61%) rather than original targets (local 45%: large scale 55%). Progress towards large-scale was therefore faster than planned.

#### **7. Presentation: A New Scale of Ambition**

The CEO emphasised that the proposal was for a new trajectory of growth, which would then become the "business as usual" of the British Council. His commentary on the slides would be circulated.

Trustees discussed the proposed scale and pace of growth. An increase in turnover of 2.5 times over five years was extremely ambitious in the current economic climate. On the other hand, there was clearly potential for the British Council to increase its limited market share, in English teaching and exams for example, and external interest in sizeable investment in the teaching business.

On the number of country operations, the CEO said that there was no proposal to reduce from the current number though the issue remained open.

The Board discussed how some of the changes needed could be achieved in the move to a new kind of organisation. Given the under-performance of the trading company, consideration of completely new business models, including acquisitions and franchising, needed to be brought into the thinking. It was clear that the scale of growth proposed could not happen organically.

A central issue was how the newly formulated vision and purpose would be maintained and even strengthened through the proposed changes, with public as well as private value maintained. Analogues in cultural relations as well as the BBC and the Chartered Institute of Public Finance and Accountancy (CIPFA) could be useful case studies. Trustees also noted that the move to further modernised organisation was likely to necessitate changes to the profile of staff but also of trustees and the senior executive. Consideration needed to be given to how the proposed scale was communicated, to avoid even a doubling of turnover being viewed as falling short.

With the proviso on retaining identity and public value, the Board was generally supportive of the proposals and agreed to hold a full discussion of the issues in September. Trustees would take the questions on the final slide of the presentation as the starting point, amended as follows:

- Would a change in business model run the risk of compromising the British Council identity and mission?
- Does this scale of ambition feel Pennine, Olympian or Himalayan?
- Do the penetration targets, broad financials - income and cost - feel right: too ambitious or not ambitious enough?
- Does 2013 feel right as a target, too soon or not soon enough?
- What advice would you give from your experience on introducing new business models, managing alignment, engagement, target setting and programme management over the coming years?

Input from trustees on the last question would be welcome in advance of the September meeting.

In addition, without entering into the feasibility stage which might follow in a year, the executive was asked to bring some outline thinking on the "how", at a high level, to the discussion in September.

## **8. Connecting classrooms**

Time constraints meant that item was deferred to the 16 September Board meeting.

## **9. BC Trading annual update**

The Board received a report on the activities and accounts of the trading company for 2007/08.

*Information in this section has been redacted/removed as it is likely to be exempt from disclosure on the grounds defined in Section 43(2) of the Freedom of Information Act 2000.\**

The Board would receive a paper within the next six months addressing these governance issues, which should also take into consideration the forthcoming public benefit testing by the Charity Commission and the issue of status overseas. Claire Ighodaro had experience of the charity trading company issue and would be available to contribute. The issue of trustee involvement in the company should also be reviewed.

Separately, as reported by the Chair of the Audit Committee and noted in the CEO's report, there was a requirement stipulated by the NAO for the Council to consult the Charity Commission by the end of 2008, on the extent to which British Council full-cost recovery work in governance was in line with our charitable objects. Work was in hand with charity lawyers to prepare this discussion.

## **9. Russia**

The Board discussed the current operating climate and the prospects for our work in Russia. Our focus in Moscow would be on cultural relations through the arts. It remained our long-term ambition to work outside the capital, with the first aim being to operate in St Petersburg.

*Information in this section has been redacted/removed as it is likely to be exempt from disclosure on the grounds that it is "likely to prejudice international relations" as defined in Section 27 of the Freedom of Information Act 2000.\**

The CEO would update trustees in his bi-monthly report, with significant developments between Board meetings communicated by round robin. There were no restrictions to trustees travelling to Russia.

#### **10. Commonwealth scholarship and Fellowship Plan Shared Scholarship Scheme**

Trustees agreed to delegate authority to the CEO to sign this contract.

#### **11. Any other business**

There was no other business.

The Board meeting was followed by the Annual General Meeting.

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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](mailto:FOI@britishcouncil.org)).