

In confidenceTuesday 23rd February 2021

08.30 – 12.30

MINUTES**Present**

Stevie Spring
Rachel Lomax
Mark Beddy
James Cronin
Stephen Deuchar
Tom Drew
Debbie Forster
Rob Humphreys
Rageh Omaar
Malcolm Press
Clare Reddington
Fiona Salzen
Sushil Saluja

Chairman

In attendance

Kate Ewart-Biggs, Interim Chief Executive (CEO)
Richard Thomas, Chief Finance Officer (CFO)
Andy Williams, Chief Operating Officer (COO)
Charlie Walker, Interim Director Global Network
Mark Robson, Director English and Exams
Mark Stephens, Director Cultural Engagement
Mark Walker, Director Transformation
Andrew Horton, Director Digital, Partnerships and Innovation
Catherine Ward, Global People Director
Sanjay Patel, Interim Global People Director designate
Alison Coutts, Secretary

1. Chairman's introduction

1.1 Apologies for absence & declarations of interest

Yasmin Diamond had sent apologies for absence. There were no declarations of interest.

1.2 Minutes

The minutes of the fortnightly meeting of 18th January were approved.

Matters arising: the Chairman noted that the Strategy day will be fixed now there's more clarity on the loans and that other matters arising were covered in today's meeting.

She noted that this was a particularly important meeting as it was the first time the Board had a full overview of the financial and non-financial terms and conditions related to the loans. She observed that it had been a long and difficult journey, with some tough negotiations along the way, but that we are close to reaching the point of moving on and looking to the future. She stressed that the need to maintain the organisation's operational independence had been paramount throughout and should guide the discussions today.

2. News from the network

The Director Global Network, Director Cultural Engagement and Director English and Exams briefed trustees as follows.

Unrest in Myanmar continues but all staff are safe. A delicate issue regarding staff who are related to people who have assumed power has been picked up on social media and is being managed closely with the mission. There's a new education law going through the Russian parliament which may mean closer monitoring of interactions between Russian and foreign institutions. There is no real change on the Iran situation but we continue to monitor. We are finalising contractual arrangements for the Turing scheme and the first call for grant applications is due to go out in March. Approximately 45% of the teaching centre network and 70% of test centres are currently open.

3. The arts collection move: update

Director Cultural Engagement gave a short update as follows. Since the last Board meeting, discussions with Coventry City Council and Arts Council England have focused on clarifying the partnership and financial arrangements. The team is also working on requests from the FCDO for more information on public access and for consideration of a permanent loan as an option. Trustees reconfirmed that it makes sense to pursue the Coventry option whilst being alert to the risks, including the challenge of fundraising in the current environment. They encouraged the team to work with trustees with fundraising experience and to develop a credible back up plan.

4. Foreign Secretary Review

The Chairman referred to the letter from the Minister setting out a range of conditions tied to the loan agreement and noted that she would respond officially after the meeting. She asked each trustee to comment before reaching a consensus on whether the conditions are acceptable in the current circumstances.

Trustees noted their strong concerns on the extent of the conditions required. However they agreed that it was important to embrace the endorsement of the value of the organisation and the acknowledgement of the need to protect our operational independence. They also agreed that the following points should be made.

- The importance of retaining proceeds from the examinations model in order to invest in de-risking and rebuilding the business for future resilience.
- The need for investment in people and technology, and the flexibilities and freedoms necessary, to develop the business and achieve commercial growth in a competitive environment.
- The need for clarity on the process for seeking ministerial input on major decisions and on materiality with an assurance that it will not cause delays. There also needs to be clarity on how it will intersect with the Board and respect the organisation's operational independence without creating a de facto shadow board.
- The Trustees continue to be concerned that reshaping and reducing the size of the Board will have a negative impact on diversity, its ability to represent the whole of the UK and the range of skills needed to rebuild the businesses. A review of this should be built into the process and be part of the brief for recruiting FCDO trustees.

Trustees also agreed that implementation of the conditions should be reviewed later in the year to assess how they are working and any related risks, and that this should be built into the Board's workplan.

They noted that the Chairman, with the Nominations Committee, will carry out a skills assessment and consultation to inform an appropriate approach to making the required changes to the Board. The Committee will also review the sub-committees and how the advisory groups connect to trustees to ensure the totality works effectively and ensures a wide range of diversity.

The Chairmen thanked Trustees for their engagement and pragmatism.

5. Corporate Plan draft

The COO noted that the draft will be developed over March taking into account feedback from various sources with the aim of publishing it in April. He noted that the Cashflow Committee had already reviewed it and given feedback. Trustees agreed that it was a good start and that it was important to clearly articulate the nature and impact of our work in the arts, English, education and assessment so that it is better understood. They agreed to send any further comments later that week and several trustees volunteered to review a fuller draft the week of 8th March.

6. Presence and programmes

Director Global Network updated trustees as follows.

The discussion on presence options at the FCDO Strategic Forum had been extremely useful and had provided a collective view of their priorities. Senior representatives from all relevant Directorates had attended and it was agreed that the meetings will continue on a quarterly basis which should significantly improve engagement at the most senior level.

The team had presented the Forum with the two options for allocating grant across priority countries included in the board pack. These had been developed against a set of criteria agreed with the FCDO and based on an assumption of no non-ODA grant which means that the current model is no longer viable. The first option set out a reduced presence but with more grant allocated to higher priority countries. The second focussed on retaining a wider footprint through flexible models and a greater digital presence. The Forum recognised that delivering change within a one-year settlement is challenging and agreed with the recommendation to pursue the second option, though with a steer to review specific countries and regions to ensure alignment with their strategy. A final version will go to the FCDO shortly, after which a submission will go to Ministers for a decision.

The trustees agreed with the direction of travel and thanked the team for an excellent piece of work.

7. Transformation programme

Catherine Ward and Mark Walker talked through the main points in the paper. They noted that the programme is extremely complex and in order to handle it well, it has been broken into workstreams with mechanisms to ensure tight management of interdependencies. The overall programme will be driven by a set of principles to ensure people are treated consistently and pulse surveys will be run to check how it is working. Implementation is planned to start at the end of March subject to approval of business cases and related funding from government. The process will go through equality screening and the diversity impact of decisions made will be tracked and inform further implementation as appropriate.

Trustees noted that the people elements of the programme had been reviewed by the Remuneration Committee. They stressed the importance of treating people well, of taking steps to monitor and manage the impact on diversity and for clear communications. They commented on the need to ensure senior managers have an overview of the totality of plans for their country rather than through a business stream lens only, in order to ensure it works on the ground.

8. Cashflow, December management accounts and loans

The CFO highlighted the following points which were covered in more detail in the board pack.

Cashflow

The 2021/22 cashflow forecast is based on a best-case scenario and assumes continued recovery with a c£5m trading contingency built in. It does not factor in the risk of further losses from more lockdowns and/or a prolonged impact on student mobility although an alternative sensitivity scenario has also been developed.

The Chair of the Cashflow Committee confirmed that the Committee had agreed it was a reasonable approach based on likelihoods of recovery and that the contingencies were sensible. He noted that Deloitte had also reviewed the figures.

Management accounts

The December management accounts reflect that trading is now ahead of the Q2 forecast and they continue to project that ODA grant will be spent by the end of the year.

Loans

We have the letter of comfort which states that the Government will provide further funding if the loan facility is not sufficient covers what is required financially. We also have confirmation that where loan repayment dates fall within the period to 31 March 2022, the loans will be restructured before the repayment dates in a way that is affordable to the British Council.

9. Examinations strategy

Director English & Exams gave a short verbal update on the emerging examinations strategy.

10. Report from Audit and Finance Committee meeting

The Chair of the Audit & Finance Committee noted that a meeting had been called the previous week for a final review of the Annual Report & Accounts as well as the going concern and viability assessment. He confirmed the Committee's view that there was a reasonable basis for signing the accounts and recommended that the Board approve. He also noted that the NAO had agreed that this was a reasonable conclusion.

11. Annual report & accounts

The Board approved the British Council's 2019-20 annual report and accounts and authorised the Chairman to sign the document on behalf of the board.

Stevie Spring, as Chairman, authorised the insertion of her digital signature into the British Council's 2019-20 annual report and accounts.

Kate Ewart-Biggs, as Interim Chief Executive and as Accounting Officer of the British Council approved the British Council's 2019-20 annual report and accounts and the letter of representation and authorised the insertion of her digital signature into both documents.

The Board also approved letters of comfort being issued to three overseas entities – Spain, France and Indonesia - by the British Council Charity.

12. Australian annual report & accounts

The CFO noted that the Australian accounts are branch rather than company accounts and mostly reflect grant spend.

The Board approved the report & accounts subject to assurance from the CFO that the going concern period is correct.

13. Report from Commercial Committee meetings

The Chair of the Commercial Committee noted that the Committee had focussed on the following areas.

1/ the investment strategy and ensuring it will put the businesses on the right footing for the future and help accelerate growth.

2/ the digital strategy for the whole organisation which will be developed and reviewed by the Committee again before coming to the Board for discussion.

3/ further commercial separation and ensuring there's a plan and resource to take this forward.

He thanked the team for their excellent work over the last year to bring the organisation through the crisis.

14. Nominations Committee membership

The Chairman noted that the Nominations Committee's membership needed refreshing to ensure it was fit for purpose to manage forthcoming changes to the Board and review the committee and advisory group structure. She also noted that two trustees who had been members had left the previous year and that Clare Reddington would step down from the Committee for the next period. She proposed that Mark Beddy and Tom Drew join the Committee alongside the Chairman and Deputy Chair.

The Board approved.

15. Banking resolution

The Chairman asked the Board to approve the updated banking resolution which reflects the change in CEO.

The Board approved.

16. Any other business

The Chairman noted that this was Catherine Ward, the Global People Director's, last meeting, and thanked her on behalf of the Board for her valuable contribution to the organisation over the last few years.

There was no other business and the meeting finished at 12.15.

There followed an in camera session with Trustees.