

In confidence

BCB(11) 3rd meeting

Tuesday 7 June 2011

MINUTES

Present

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| Vernon Ellis | Chair |
| Alan Buckle | Deputy Chair |
| Nihal Arthanayake | (items 1 – 6) |
| James Boyle | |
| Pamela Gillies | |
| Tony Hall | |
| Sue Hoyle | (items 1 – 6) |
| Claire Ighodaro | (items 1 – 13) |
| Howell James | (items 1 – 9) |
| Raoul Shah | |

In attendance

Martin Bean, Trustee elect
Martin Davidson, Chief Executive
Pippa Greenslade, Director Global HR
Adrian Greer, Director Global Network
Mark Robson, Director English
Bidesh Sarkar, Chief Financial Officer
Graham Sheffield, Director Arts
Rebecca Walton, Director Partnerships & Business Development
John Worne, Director Corporate HQ
Anne Wozencraft, Ag Director Education & Society
Andrew Fotheringham, Head, Enterprise Risk Management (items 12 & 13)
Andy Mackay, Secretary

1. Apologies for absence

Patrick McKenna had sent apologies for his absence. Nihal Arthanayake, Sue Hoyle, Claire Ighodaro & Howell James apologised for commitments which would require them to leave before the end of the meeting.

The Chair welcomed Martin Bean and Graham Sheffield, who were attending their first meeting as a Trustee elect and Director Arts respectively. He also recorded that Rebecca Walton was attending her first meeting since taking up the new role of Director Partnerships and Business Development.

2. Minutes of the Board meeting of April 2011 and matters arising

All matters arising from the meeting were being actioned or were included in the agenda for this meeting, with the exception of item 7 from the meeting of 20 April 2010, which would be covered in the agenda for a meeting in the autumn.

The Board agreed that further consideration of work to establish the economic contribution of the work of the British Council should be covered in the wider discussion of impact and impact reporting in item 6 of this agenda.

The minutes were approved.

3. Chair's business

The Chair reported on his discussion with Simon Fraser, Permanent Under Secretary at the FCO, concerning the Foreign Secretary's indication that he wished to nominate Mr Fraser to become a Trustee of the British Council. The Chair reminded Trustees that this was a right of the Foreign Secretary under the terms of the Royal Charter. Trustees were reassured that he would be joining the Board with the same duties, responsibilities and accountabilities as all other Trustees and that he will not participate in discussions and decisions where there is a clearly identified conflict of interest with his role in the British Council's sponsoring department. They broadly welcomed and endorsed the proposal, which would be confirmed by a formal nomination to the Chair from the Foreign Secretary.

The Chair also invited Trustees to review the role description for Trustee appointments to the Board which was tabled and to indicate to him any possible candidates who might be alerted of the forthcoming recruitment which would take place for the one remaining vacancy on the Board. He also invited them to suggest further areas of expertise which would be an addition to the effectiveness of the Board. It was agreed that an additional Trustee with financial qualifications and experience could be valuable.

The Chair informed Trustees that the proposed amendments to the Royal Charter had been signed off by all relevant parties and regulators, and that the revised Royal Charter would be tabled in the Privy Council meeting of 8 June.

4. Report from Audit Committee meeting

Claire Ighodaro, Chair of the Audit Committee, reported on the meeting which had been held on 25 May. The Committee had considered progress on preparation of the annual accounts and were satisfied at the progress being made by the finance team and the National Audit Office but had noted that the work was not as far progressed as it had been at the same time last year and that there was still significant work to be completed. They had requested a review of the timetable for the following year, 2011/12, to make sure that the committee was able to review as much material as possible at their May meeting, including the Chair and Chief Executive's draft forewords to the report.

The committee had recommended the draft statement of internal control for signature of approval, as well as the signature of the letter of deferral relating to loans to subsidiary entities.

The committee had been updated on progress on the status and tax project and recommended that the Board should take note of the report which would be discussed later in this meeting, as the project was resulting in changes to the way in which the British Council delivered its work in some territories. The Audit Committee would retain oversight of the overall management of the project, but it was important for the full Board of Trustees to be aware of progress and the implications.

She finally noted that the committee had commended the finance team for the work which they had undertaken with the tax authorities, which appeared to have resulted in a better understanding and a productive working relationship.

5. Chief Executive's Report

Martin Davidson outlined the key findings of the staff survey. He reported on the positive changes in the overall results, with scores in the UK improving. Trustees agreed that there were a number of areas which needed further consideration, most particularly engagement with middle management; concerns about learning and development and career paths; an emerging gender divide in responses to the survey; and concerns expressed about the confidence staff felt in being able to challenge.

The Board agreed that a subgroup should discuss these issues further with Pippa Greenslade and Martin Davidson and report back as appropriate. Sue Hoyle and Nihal Arthanayake volunteered to work with the executive in this way.

Martin Davidson also informed the Board that *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 the effective conduct of public affairs" as defined in Section 36 of the Freedom of Information Act 2000**. *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 the commercial interests" of either the British Council or another party, as it is defined in Section 43 of the Freedom of Information Act 2000**, and it was clear that the organisation's work in English language would be more effectively delivered in partnership with the public education authorities through channels such as radio. If the decision to close was confirmed, it would be announced in advance of the next Board meeting.

He also updated Trustees on the security situation in Yemen, which was giving growing cause for concern. The increasing level of security meant that the British Council was close to having to withdraw all presence. He reported that an internal review had been conducted of the recent evacuations of Tunisia, Libya and Egypt and that the learning derived had been incorporated in revised emergency procedures.

Trustees discussed the reporting of perceptions and awareness of the British Council. They agreed that they would welcome further discussion in a future agenda item on the measurement and reporting of impact. There was also some discussion about the reporting of Facebook and Twitter audiences with an overall strong endorsement of the importance of reporting these elements of engagement.

6. Organisational Performance Report

The Board congratulated the executive for the end of year data presented concerning qualitative and quantitative performance for 2010/11. The data indicated a significant increase in audiences and improvements in all quality scores.

Bidesh Sarkar and John Worne outlined the proposed format for reporting on financial and non financial performance for 2011/12 and invited Trustees to indicate whether this would meet their information needs. They agreed that the information presented was at a level of detail which was probably of more use for management purposes and suggested that they would value more insight on trend and forecast. They suggested that a Board discussion on impact and impact measures would be valuable at a future meeting, including further consideration of the economic impact of the British Council's work, the contribution of each of the strategic business units and the cascade effects of British Council programmes. Areas for further consideration included the possibility of more reporting of programme outcomes, and of ensuring that the data which was being collected was being interpreted, presented and used most effectively. Tony Hall and Pamela Gillies volunteered to work with John Worne and his team in considering some of these points in preparation for a full discussion at the Board.

The proposed presentation of financial information, with analysis at the level of strategic business unit, was welcomed. Trustees would value reporting both of the financial performance of the organisation and of the extent to which delivery of commitments made in the corporate plan was being achieved. They would also appreciate further detail about cash management and the availability of funds for strategic investment.

These steers from the Board would be incorporated in the reporting format for future meetings.

7. British Council Corporate Plan

Trustees reviewed the letter which had been received from Jeremy Browne MP, the Foreign Office minister with responsibility for the British Council concerning the draft corporate plan. They welcomed his endorsement of the plan and considered the suggestions he had made for development on revision and the proposed response to each suggestion. They endorsed the proposals made and particularly welcomed the narrative description which was tabled to explain the organisation's future work in the areas of sport, science and climate change. They agreed that these sectors were valuable providers of content for programmes areas but they did not believe that climate should be positioned as an overarching organisational objective in its own right. They unanimously approved the corporate plan, subject to final sign off by the Chair, once the agreed changes had been made.

8. Permission to sign the Annual Report and Accounts

The Board delegated authority to the Chair and Chief Executive to approve the 2010/11 Annual Report and Accounts and to sign the accounts in advance of the Board meeting on 12 July.

9. Status Resolution: South Korea and Venezuela

The Board of Trustees voted unanimously to:

- **approve** the registration of not-for-profit branches of the British Council in Korea and Venezuela
- **approve** the necessary resolutions, set out in full in annex one to these minutes, required by the relevant jurisdictions in order to submit the application. The resolutions were proposed by Vernon Ellis and seconded by Alan Buckle.
- **authorise** the Chief Executive to approve any amendments required to achieve registration in Korea and Venezuela, as the case may be.

The full text of the resolutions is attached as an annex to these minutes.

10. Remuneration Committee Terms of Reference

The Board unanimously approved the amendments proposed to the Terms of Reference for the Remuneration Committee.

The election of Howell James to the Remuneration and Nominations Committees was proposed by Vernon Ellis and seconded by Pamela Gillies. Howell James was elected unanimously to join both committees.

11. Options for future global presence

The Board endorsed the approach and direction which were presented. They agreed that the developing thinking allowed for the flexibility and agility which would be critically important in the coming years. They also expressed their support for the direction described on the development of people strategy.

They asked the Executive to continue working to elaborate and develop the models of operation for the different groupings of countries and to pilot new models, particularly for tier three countries. This would inform detailed discussion and decisions concerning the strategy for global presence, including the UK, at their meeting in December. Where significant changes were being made, with reduced

presence or levels of activity, it would be important to work to demonstrate continuing commitment to the countries affected, for example through organising significant, high profile activity during the period of change.

They agreed that there were a number of key factors to consider in developing the more detailed strategy:

- The nature of a global organisation in the twenty first century. This did not necessarily mean presence in all countries considered as important for delivery and impact. They endorsed the Executive's intention to think radically and broadly and to design and create a model which would be appropriate to the medium and longer term aspirations of the organisation.
- The impact of the developing digital, partnership and commercial strategies on models of presence and operation. It would be critically important to achieve a balance between the opportunities of large scale activity, particularly through digital channels, and on the ground activity which developed key relationships, understanding of country markets and the opportunities for significant cultural relations impact.
- The potential for the organisation to have impact in small countries, set against the opportunity cost of using that funding in more regions of the most populous and strategically important countries
- The implications for the UK size and business model of the development of truly global teams. They endorsed the proposal to move suitable operational roles from the corporate centre, with the likely implication of a reduction in the number of roles in the UK, particularly in London, and would welcome detailed thinking as part of the integrated strategy to be presented in December.
- The model for the UK, with initial endorsement of a focus on development of regional centres of expertise where there was a presence outside London.
- The potential for negative consequences from transferring central corporate bureaucracy into the regions. This could result in countries feeling more remote from the centre. It could additionally lead to recreation of new regionally based models of bureaucracy, rather than achieving a new approach which resulted in reductions in bureaucracy and administration.

12. Status and tax update

With the establishment of the British Council group structure and the implementation of the next stages of the status and tax project, the Board had agreed that it should receive an annual update on progress made and action arising. The Board agreed that the project team had made good progress and that the project was now well and effectively structured, with increasing maturity in the organisation concerning the issues and appropriate solutions. They recognised that a lot of complicated and difficult work had been successfully completed in this area. They encouraged the executive to continue to review the composition of the finance team, to ensure that there was expertise and capacity to handle a complex, global group structure and noted the assurance given that the team was being developed with this objective.

It was noted that the new structure was bringing new complexity to the organisation and that it would be important for the Board to maintain visibility, with two Trustees as Directors of British Council Holdings UK, the UK subsidiary entity into which the overseas subsidiaries were now reporting. There would be an annual report to the Board from both BC Holdings and BC Trading and an external auditor for the subsidiary entities had been identified following a tender exercise. This auditor would provide assurance to the National Audit Office, who continued as the principal external auditor for the whole organisation.

13. Strategic Risk Register and 2010/11 report on risk management

The Board noted the report on major risks managed in 2010/11 and the report on the 2010/11 strategic register. They agreed that the approach and process for risk management were now well focussed and realistic.

They reviewed the proposed strategic risk register for 2011/12. They suggested that the register could be slightly amended to take account of the risk attached to the need to shift income streams and to protect and build commercial activity. They also requested the executive to give further consideration to reputational risks, particularly in the rapidly changing public service environment. The Board unanimously approved the strategic risk register for 2011/12.

14. Any other business

The Board noted with pleasure the award of the Silver Lion for a promising young artist at the Venice Art Biennale to Haroon Mirza, a young Pakistani artist with whom the British Council had collaborated closely.

There was no further business and the meeting concluded at 1310.

Summary of action points arising

Meeting of 20 April 2010

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| (02)7 | Board agenda to include an item on sector advisory groups following agreement of long term strategy. |
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Current meeting

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| (03)1 | Chair to confirm to the Foreign Secretary the Board's endorsement of his nominated Trustee. |
| (03)2 | Trustees to suggest any potential candidates to join the Board to the Chair. |
| (03)3 | Dates for May 2012 audit committee meeting and June 2012 Board meeting to be reviewed to ensure annual report and accounts data to be considered would be as complete as possible. |
| (03)4 | Pippa Greenslade to coordinate with Sue Hoyle and Nihal Arthanayake on follow up to staff survey for report back to the Board in July. |
| (03)5 | Board awayday in September to include broad consideration of impact and impact reporting. |
| (03)6 | John Worne to work with Tony Hall and Pamela Gillies in preparation for impact discussion. |
| (03)7 | Bidesh Sarkar to continue development of report format and content in line with Board steers. |
| (03)8 | Corporate Plan to be finally amended in line with Board guidance and approved by the Chair. |
| (03)9 | Adrian Greer and Pippa Greenslade to present detailed strategy for global presence and staffing at the December meeting following Board steers. |
| (03)10 | Strategic risk register 2011/12 to be reviewed for implementation following Board input. |

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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)