

In confidence

Tuesday 11 February 2025

11.00 – 15.30

MINUTES

Trustees present

Paul Thompson (Chair)
Wendy Alexander
Stephen Deuchar
Richard Hookway
Malcolm Press
Katy Radford
Fiona Salzen
Sushil Saluja
Christian Turner
Paul Woodgates

In attendance

Scott McDonald, Chief Executive (CEO)
Kate Ewart-Biggs, Deputy Chief Executive
Vijay Doshi, Chief Financial Officer (CFO)
Serin Hasan, Director Strategy
Andrew Horton, Director Digital & Technology
Sanjay Patel, Chief People Officer
Mark Stephens, Director Cultural Engagement
Charlie Walker, Director International Operations
Mark Walker, Director English & Exams
Andy Williams, Chief Operating Officer (COO)
David Thompson, Director UKR & External Relations
Charles Darley, Chief Transformation Advisor (CTA)
Alison Coutts, Secretary

1. Chair's introduction

1.1 Apologies for absence and declarations of interest

David Lefevre, Rageh Omaar and Clare Reddington had sent apologies for their absence. There were no declarations of interest.

The Chair welcomed the Chief Transformation Adviser to the meeting, noting that he would attend all Board of Trustee meetings over the coming year.

1.2 Minutes and matters arising

The minutes of the meeting of 11 December 2024 were approved, subject to an amendment noting that the Terms of Reference for the Commercial Committee would be updated to include scrutiny of large Cultural Engagement contracts.

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Objectives of the day

The Chair made the following comments.

There is a lot to discuss today and all of it is crucial to the future and shape of the organisation. SLT have done a huge amount of work to prepare and sent some useful pre-reads in advance. All the proposals and options SLT will set out are challenging and come with complexity. After the Board discussion, SLT with the support of the CTA, will focus on further interrogation of the detail and on testing whether they will work before turning them into firm plans. The task for trustees is to give views on the broad direction of travel and whether they are content for the SLT to explore further or should change direction. This steer will also help the SLT to form the shape of conversations with FCDO officials.

A view on expectations from the FCDO

Christian Turner shared views on the context within which the Spending Review is taking place, including that the financial environment is challenging and that there would be considerable competition for funding. He advised that the British Council submit a proposal that is realistic, radical and demonstrates impact. It should show how central we are to the UK's international reputation and what our proposed model would deliver for the UK.

2. CEO executive summary of narrative and key proposed changes

The CEO noted that he had a couple of items of business to cover before considering SLT's proposals for the future of the organisation. These were as follows.

The loan negotiations are almost complete and the current focus is on seeking ministerial approval and finalising the loan covenant. This means that we are still unable to finalise and submit our Annual Report & Accounts (ARA) for 2023/24 as they are contingent on the loan. We have alerted the UK charity regulators and are keeping them up to date. When the ARA is ready we will seek Board approval immediately, which will likely be by email so we can limit the delay. The Board noted.

Negotiations on Project Berry are going well and a Board sub-group has been looking at the detail. This is also likely to be completed soon in which case we will again be seeking approval from the Board by email. In the meantime, as the exclusivity agreement was due to expire at the end of January 2025, the Chair has approved an extension to the end of February 2025. The Board noted.

The CEO gave an update on the session with the Foreign Affairs Committee, coverage in the press and our continued advocacy work. He then talked through the first few slides of the presentation covering the narrative, proposed changes, asks from the FCDO and the 5-year financial goals. In summary he noted the following.

Post Covid we made major changes but the world has continued to evolve and we need to do more and quickly. As a team, we have been looking at a range of radical scenarios and options for the Board to consider over the course of the day. However, although they will reduce our cost base significantly, we will still need an uplift in the Spending Review and reasonable loan terms to remain properly relevant and impactful. We have already started on some of the changes and over the next six months, the CTA will help us develop and begin delivering a more detailed turnaround plan after which we can start repaying the loan and building up reserves.

We are targeting break-even free reserves by 2028/29. This assumes income growth, an improved gross surplus margin, reductions in indirect costs, asset sales and an increase in grant-in-aid funding, whilst allowing a level of investment to support restructuring and growth.

Our proposed vision for a new British Council is focussed on building relationships, driving UK growth and influence, and supporting stability and security all of which support the FCDO's strategic priorities. There is detailed work behind each of these setting out impact and how we will deliver it, which is through a recalibrated network, digital offers, and more attractive offers in English & Exams.

Trustees commented that it was a good and bold plan and agreed with the overall direction set out.

3. Renewed British Council

Fixed assets

The CEO updated the Board as follows.

We are reviewing all remaining buildings we own, with the aim of selling what we can. The Lisbon building is being sold as previously agreed with the Board and we are looking at options for Paris in discussion with the co-owner.

The arts collection is a contentious issue and there has been a considerable amount of media interest in what we may or may not do with it. We have had a clear steer from government to consider selling some items – not all – to help pay off the loan. However, there is strong and understandable resistance in the sector. Trustees had mixed views on how to move forward though there was an acknowledgement that the very real threat of insolvency means that everything has to be considered.

Product lines

Director English & Exams introduced the session as follows. Our largest income stream is generated by IELTS. We therefore do not plan to explore options for selling it but rather to work with partners to update it and make it more competitive whilst it remains a product the

market wants. In parallel we will invest in new products such as GEEP to address risks, depending on funding available.

Our Schools, University and Professional exams distribution strand of work is closely aligned to our purpose. The challenge is in the countries with trapped cash issues. However although still significant, we are making progress on resolving them, including negotiating better contract terms. We therefore propose to continue with their delivery as they are high impact in countries important to the UK.

(Information in this section has been removed as it is exempt from disclosure on the grounds that it is “likely to prejudice the commercial interests” of either the British Council or another party as defined under Section 43 (Commercial interests) of the Freedom of Information Act 2000.).

Director Cultural Engagement set out the process and boundaries applied to bidding and managing client-funded contracts such as Chevening. He noted that these are high impact and have huge reach. Therefore although they fund direct costs but not central costs, the aim is to reduce central costs rather than close the business.

English & Exams

Director English & Exams talked through the three main areas of savings the team are exploring which include more efficient operating models, automated marking using AI and rationalising customer services through better use of technology. The Board noted that investment would be required so this is not a quick win but encouraged the team to continue working it through.

Central & indirect costs

The COO ran through the plan for identifying additional cost savings beyond those already built into the plan following the professional services transformation programme. We have identified c£13m which can be achieved by stretch within 2025/26 and which can be rolled over. We are working on the remainder to reach the targets. Much depends on other strategic decisions such as the network and the finance function’s model which are still to be worked through. There is also an opportunity to continue discussions with TCS about outsourcing more services. Trustees noted the importance of maintaining a clear distinction between the savings resulting from the professional services transformation programme and the savings above and beyond them.

UK presence

The CEO noted that our plan is to look at alternative ways of using the building in Stratford including renting out space, to move to a homeworking option for Manchester and to retain our offices in Edinburgh, Cardiff and Belfast. However, the leases for the latter three come up in the next couple of years at which point we will review again.

The Board approved the proposal related to offices in the UK including the new working arrangement for Manchester.

The network

Director International Operations presented as follows.

Our work on options for country closures is informed by the viability of our income-generating operations, their geo-political importance to the UK, our ability to make impact and a rationalisation of our operating models.

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Director International Operations then talked through how we would compensate for closures yet continue to deliver in countries where we have no or limited presence. Essentially this would be through a digitally-led approach with a core offer focussed on giving access to UK education opportunities, online learning, cultural exchange and professional networks.

Trustees supported the continuation of exploring the options presented. They also noted that it may be helpful to look at where other UK organisations have presence, e.g. universities, to explore linking up.

Organisational streamlining

The D/CEO talked through the work on regional and global models which aims to make it less complicated, with less layers and with clearer accountabilities. This will make it more efficient and speed up decision-making. The design work is starting from a zero baseline and then working out what support and leadership is required where, to enable countries to deliver. We will still need some span breakers but the consultants we are working with expect us to end up with four or five regions. We are developing the model in close conjunction with English & Exams to ensure it is integrated.

Teaching

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Areas to stop

The CEO talked through three further areas of work which trustees had raised as possibilities to close but noted that each have a strong link to our purpose, are valued by the sectors and give high impact. Trustees agreed.

Trapped cash

The CFO gave an update on the six countries in which we have trapped or restricted cash and on the mitigants in place or being pursued. However, income from activities in these areas totals £123m and gives us huge impact in important countries, so the proposal is not to stop business but to continue to find ways of reducing trapped cash. The Board agreed.

Growth

Director English & Exams ran through the growth ideas being explored, including new ways to reach young learners and developing AI enabled learning and assessment opportunities. Trustees supported the approach and commented that it will need investment which needs to be clearly laid out in the plan.

Timeline

Director Strategy shared the timeline noting the imminent deadline at the end of the week for our initial submission followed by a presentation to the Strategic Forum in a week's time.

The Chair thanked the CEO for his frank briefing on the context and challenges, and the executive team for the huge amount of time they had put into preparing an excellent presentation. He then summed up as follows.

- i. It was a constructive meeting which covered a lot of ground and overall trustees agreed SLT was moving in the right direction.
- ii. There were some concerns on the ambitious growth targets. The CEO noted and confirmed that SLT would work on scenarios with lower growth goals which will require greater cuts to meet the objectives.
- iii. Trustees had commented that the vision needs to demonstrate the outcomes of the activities referenced in order to support our CSR ask of the FCDO.
- iv. Trustees supported the proposed cuts to central costs and to the plans for the estate in the UK.
- v. The presentation on loss-making teaching centres was helpful, but trustees felt that the exercise for determining loss-making centres should be done after a mini P&L had been completed country by country, after central costs had been reduced to provide a more accurate assessment of the indirect administrative charge applied to each centre. The CEO noted that the team is working on that and will provide a reasonable estimate before final decisions are made.
- vi. Trustees would like to see more ambition in terms of new product offers coming on stream with timeframes, rather than a total focus on 'death by a thousand cuts'. The

CEO noted that this remains an open issue as we do not as yet have a compelling plan for new products that would come anywhere near the volume nor income of IELTS.

- vii. Trustees expressed a concern that having only one person on SLT focussed on £850m income generation formed a single point of failure. The CEO noted that two members of English & Exams attend SLT but that he would work on a model with greater representation.
- viii. It was decided that the Chair, Stephen Deuchar, trustee and Mark Stephens, Director Cultural Engagement would take the discussion on the arts collection to a separate meeting. Trustees noted that 50% of the collection was restricted.
- ix. Trustees raised questions around capability and agreed that the Board need to return to this matter. This was discussed again at the closed session with the CEO.
- x. They agreed that the recovery and renew programme presented was impressive and ambitious, but whilst assured to note that a change delivery team was being assembled, felt that it required real scrutiny on the CEO's part to assure the Board of the bench strength of the team. The CEO agreed.
- xi. The Board agreed with the idea of retaining the Paris building but seeking a new share of equity in the freehold with the main stakeholder and other possible partners.
- xii. In terms of income, the Board felt that a second round of negotiations with Cambridge was important. The CEO noted that this requires further discussion to agree the approach.
- xiii. The Board agreed the quantum of cuts proposed for central costs and noted that 60% of that had already been identified.
- xiv. Trustees questioned how Chevening and other Cultural Engagement contracts could be made to deliver a small surplus, once central costs were reduced.
- xv. They favoured investment in new products such as GEEP, but noted the CEO's comment that it was very unlikely that these initiatives would replace IELTS.
- xvi. They stated that a 10% per annum of turnover should be the goal for investment by 2030 but noted the CEO's comment that he was unsure we would be able to afford that in the next decade.
- xvii. They advised a focus on changes that would deliver in three years' time and to do those at pace.

Finally, the Board commended the team for the thought and effort they'd put into the plans and agreed that it was a big step forward. It was agreed that the agenda for the next Board meeting should be lighter to relieve SLT somewhat whilst they were under such pressure.

4. Reports from Committees

Finance

The Chair of the Finance Committee noted that most of the matters discussed by the Committee had already been covered during the day. It had also covered the loan negotiations and the impact on finalising the Annual Report & Accounts.

Commercial

The Chair of the Commercial Committee noted that matters discussed by the Committee had already been covered during the day.

5. Brief on tender for a higher education contract

Director Cultural Engagement referred to the paper in the pack which sets out an opportunity to bid for an FCDO tendered contract to help reform higher education systems in various parts of the world. He noted that the submission would need approval from the Board and that this would be sought by email as the deadline would be before the next meeting. The Board noted.

6. Any other business

There was no other business and the meeting finished at 15.00.