

In confidence

BCB(13)3rd meeting

Tuesday 11th June 2013

MINUTES

Present

Vernon Ellis Chair
Martin Bean
Aled Eirug
Simon Fraser
Pamela Gillies
Richard Gillingwater
Sue Hoyle
Howell James
Usha Prashar
Raoul Shah

In attendance

Martin Davidson, Chief Executive
Jo Beall, Director Education & Society
Adrian Greer, Chief Operating Officer
Mark Robson, Director English
Bidesh Sarkar, Chief Financial Officer
Graham Sheffield, Director Arts
Rebecca Walton, Director Partnerships & Business Development
John Worne, Director Corporate HQ
Andrew Fotheringham, Head Enterprise Risk Management (item 6)
Kate Ewart-Biggs, Director Global Network (item 8)
Adrian Chadwick, Director Saudi Arabia and Regional Director MENA designate (item 8)
Tom Birtwistle, Regional Head, Global Network Team (item 8)
Anna Searle, Director English (item 9)
Alison Coutts, Secretary

1. Apologies for absence & declarations of interest

Gareth Bullock and Ros Marshall had sent apologies for their absence.

There were no declarations of interest.

2. Minutes of the Board meeting of 16th April 2013 and matters arising

All matters arising from the meeting had been actioned or were scheduled for a future meeting.

The minutes were approved.

3. COO Report

Adrian Greer focussed on security issues, financial and impact results and investment.

- **Security**

Adrian updated Trustees on the security threats facing the organisation at the moment and our approach to managing them.

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 endanger the safety of any individual" as defined in Section 38 (Health and safety) of the Freedom of Information Act 2000.*

He also briefed the Trustees on Pakistan where 20,000 students are now required to resit a Cambridge exam as a result of a paper being leaked by a student in Malaysia. The fault was with Cambridge International Exams (CIE), whose CEO went out to apologise, but there have still been demonstrations against the British Council in Karachi as CIE's local representative. We have largely diffused these with an effective media campaign. Finally he referred to the unrest in Turkey where although there is no specific threat to us, we have contingency plans in place in case it escalates.

- **Financial and impact results**

Adrian commented that as it is too early in the year to draw any particular conclusions from the 13/14 financial reports.

The 12/13 financial year impact report shows a generally good picture. However, on one score (the net promoter) our results have been declining each year for the last three years. We know that the rapid increase in teaching and exams means that a higher proportion of those sampled comes from paying customers, which may be pulling the results down. We are doing more work to understand this better.

The Chair pointed out that business support costs for 12/13 were some £10m higher than for the prior year. The CFO explained that this is accounted for by a transfer of overseas connectivity charges onto UK budgets. In addition, the costs for 11/12 were lower because of a £1m rebate negotiated with Global Crossing to compensate for performance failures.

- **Investment**

Adrian referred to previous concerns of the Board and the Executive that we persistently underspend against investment plans. He explained that we had been planning against earmarked projects rather than firm plans. We have now separated out cash release from earmarking and although 12/13 spend came in some way short of plan for the full year, performance in the last 3 months was much improved. A report will come to the Board later in the year to check that the systems are now robust enough.

4. Chief Executive's Report

Martin reported on his visits to Afghanistan and Pakistan which had added to his growing view that we need to move beyond the walls we have set up for our operations over the last few years both mentally and physically. He has asked the teams to look at recreating that safe space in Karachi and Lahore in ways that retain our security. This will have implications for the rest of the world, and the Director in India is also doing some work on what this might look like.

He updated the Board on his recent visit to the US with the Chair. It was clear that Microsoft values our partnership and reaffirmed the strengths we bring to partnerships: our networks, our brand and reputation, and ability to engage at the highest levels where other organisations might be viewed with suspicion. They had also met several smaller companies and Martin has asked the team to look at whether we can create an umbrella structure to enable us to work with them in a more creative way.

Martin also referred to the Great Campaign and the soft power agenda. It was the theme of the FCO Leadership Conference and there is a growing recognition that the UK is good at it, with global institutions including us, and yet spends less on it than others. There is now a Lords Select

Committee reviewing it led by David Howell, who will also be opening the launch of our thought leadership publication on soft power on 18th July. He reported that we now have an initial 5 year plan of UK cultural activities for the 11 Great priority countries, the first time this has been pulled together. It shows where the real opportunities are coming together and also identifies some gaps, for example the level of UK creative investment in Indonesia and Turkey is significantly lower than in other countries which may be something to address.

He advised the Board that draft copies of the Annual Report were tabled with a mock up of the design. He thanked Raoul, Richard and Howell for their contributions and said he would welcome any further comments from Trustees.

He updated the Board on the CSR. The CSR is obviously tough for all Departments, so we will have to take our share. Final figures are still being discussed, as is how much of the reduction will be applied to core grant and how much to ODA. There may be more ODA funding available on a contractualised basis, but this clearly does not replace core grant and cannot be used to support our network nor for example, large parts of our arts offer.

5. Report from the Audit Committee

Richard Gillingwater, Chair of the Audit Committee, reported on the meeting of 6 June. He explained that the meeting had focussed on 2 main areas: 1/ reviewing the progress on year end audit and 2/ reviewing the work done on the control framework.

On the first, he reported that it is generally going well. There is still outstanding work to be done on the methodology for valuing the property portfolio and on validating transactions in Nigeria. The report from PWC on subsidiary accounts is positive and close to completion.

On the second, the report from Grant Thornton following a review of the control framework will be completed in two weeks' time. Initial findings raise a concern that the framework is not keeping pace with the increasing scale and complexity of the organisation. It will be crucial that management look at it thoroughly. There will be a special Audit Committee meeting in September to understand the broader ramifications of the report and our response. He informed the Trustees that the NAO wants to see the work that Grant Thornton are doing to review our control framework before signing off the accounts. A key point from the review is that putting systems and processes in place is only part of the solution; we also need to develop our finance structure and capabilities to manage financial risk more intelligently.

The COO agreed that the Audit Committee was rightly concerned and that the Executive shared their concern. He assured the Trustees that the Global Finance Change Programme will put in place systems adequate to manage growth, and in the meantime we are putting further controls in place in high risk countries to manage the immediate risk.

6. Risk Register and Risk Report

The Chair welcomed Andrew Fotheringham, Head, Enterprise Risk Management to the meeting.

The CEO asked Andrew to describe the organisation's risk framework to put the register in context. Andrew explained that the Enterprise Risk Management framework has been in place since 2009. The strategic risk register focuses on the risks with the potential to impact on the entire organisation and each is owned by and Executive Board member. These are reviewed annually in a workshop facilitated by an external risk consultant. Below this are operational risk registers related to countries and UK departments. These are reviewed on a quarterly basis at a Risk Board chaired by the COO after which they are taken to the Management Board for further review.

Martin explained that the strategic risk register presented to the Trustees is in draft and following the Board's contributions would be refined and circulated.

He then took the Trustees through the risks which rated red or raised specific concerns.

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 (Prejudice to the effective conduct of public affairs) of the Freedom of Information Act 2000.*

The CEO confirmed that an updated risk register will be brought to the Board at the next meeting for final approval taking into account the above comments.

7. Chair's business

The Chair reported back from the Finance & Contracts Committee meeting of 30th May. He noted that much work had been done on the Contracts strategy. However, more is required, particularly on the capability needed to implement. It has however helped crystallise thinking on the organisational model. Currently this segregates contracts, grant funded, partnership funded, English, etc. He expressed the view that this should be turned on its head so we focus on the value we create, and from this flows the funding model and the expertise we require. This would be a significant change. To inform it he has initiated a piece of work from John Worne on an analysis of where the money comes from for each of our products, and where the benefits flow. It will then be possible to analyse where we want to ramp up, where the competition is, and where we need the expertise.

He then elaborated on the 'Entrepreneurial Public Service – and what we will need to get right' part of his report. He noted that we still have work to do on engaging staff with the model. He commented that he still meets staff who don't understand that there's no trade off between getting income and fulfilling our purpose, and that indeed it's the opposite. He encouraged the Executive to keep reiterating the message.

The Trustees supported this and agreed that John Worne's appendix to the report is excellent but we now need more evidence, a stronger narrative and more compelling communications throughout the organisation.

The Chair then updated the Trustees on the Triennial Review process and our approach. It is clear that this will be rigorous and thorough. The Trustees agreed that the mixed economy model is one that the UK should be proud of as it brings huge benefit to the UK with relatively low public funding. They also agreed that there is always scope for change and improvement and that we should take this as an opportunity to review how we can strengthen our model and communicate its benefits.

The Chair then updated the Trustees on the current Trustee recruitment process.

8. Middle East and North Africa update

The Chair welcomed Kate Ewart-Biggs, Adrian Chadwick and Tom Birtwistle to the meeting.

Adrian introduced the session and requested the Board's steer on whether we are positioning ourselves appropriately to meet the challenges in such a demanding but high priority region.

The presentation focused on the external context, the region's impact on the wider world, the shift in our work over the last year, and how we are planning to meet the challenges over the next few years whilst putting duty of care as our top priority. A particular issue is how we scale up in the priority countries to the extent where we will make real impact in huge populations.

The Board thanked them for a stimulating and thoughtful presentation and generally endorsed our approach. They agreed that the scale of opportunities is immense, yet there are issues of absorptive capacity and that security challenges are key.

The Board questioned whether we have the capacity to do so much across so many countries and encouraged rigorous prioritisation. The CEO agreed that we must focus on increasing scale in Egypt and a few others, and keep reassessing where we put our capacity in others, but that we can do

much in the smaller countries through our more generalised offers like English, which need less localisation and resource. The Board noted the challenge in the Gulf where there is considerable resentment against internationals seeing them as funders. The Board encouraged the development of an engaging partnership strategy to build their trust.

9. English update

The Chair welcomed Anna Searle, Director English, to the meeting. Mark Robson introduced the session as a progress report against the strategy which had been presented to the Board in April 2012. He noted the shift from an approach which had been siloed into grant funded access for all products and the commercial offer, to one that is becoming more integrated and market focused with the emphasis on specific areas like public education systems. He invited the Trustees to reflect on the points in slide 2 Anna then gave an overview on progress over the last year and future priorities.

The Board thanked her for an interesting and reassuring presentation and agreed that much progress has been made.

They questioned and discussed the future economic model for the high impact but low income generating products. It was agreed that the link with assessment is important as this is the key to unlocking employment opportunities and people will pay for this value added. The Trustees stressed that good content combined with brand, good teaching, excellent customer support and accreditation should be seen as a continuum, as this is what gives us our value proposition. It was also observed that the move last year from browsers to apps as the basis for all digital work is a major transformation which we should take into account.

The Trustees also encouraged more analysis of the impact in business terms to the UK so we can be clear on the benefit. Broadly they endorsed the approach.

10. Any other business

There was no other business and the meeting ended at 1350.

Summary of action points arising

Updated from previous meetings

(06)6	<i>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 (Prejudice to the effective conduct of public affairs) of the Freedom of Information Act 2000*.</i>	July Board
(01)7	<i>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 (Prejudice to the effective conduct of public affairs) of the Freedom of Information Act 2000*.</i>	July Board
(01)8	D/CHQ to share a plan for identifying and developing new products to reach the UK youth market	October Board
(01)14	Update on the finance change programme to be included on agenda following design phase	Early 2014
(02)6	Update on the Europe strategy, model and plan to be included on future agenda	By end of 2013
(02)8	D/Arts to give more information on arts for development and Creative Europe at the next arts update	2014

Current meeting

(03)6	Strategic risk register to be updated and re-presented to Board	July Board
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	for approval	
(03)3	Investment report to come to the Board later in the year.	October or December Board