

In confidence

BCB(10) 4th meeting

Tuesday 13 July 2010

## **MINUTES**

### **Present**

Vernon Ellis	Chair
Alan Buckle	Deputy Chair
Pamela Gillies	
Tony Hall	
Brian Hanna	
Sue Hoyle	
Claire Ighodaro	
Howell James	
Patrick McKenna	
Raoul Shah	

### **In attendance**

Martin Davidson	
Mark Robson	
Bidesh Sarkar	
Cathy Stephens	
John Worne	
Andy Mackay	(Secretary)

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

Nihal Arthanayake and Steve Jones had sent apologies for their absence.

### **2. Minutes of the Board meeting of May 2010 and matters arising**

All matters arising from the meeting of 25 May had been actioned; items 4 & 5 from the meeting of 20 April had been actioned and items 6&7 would be covered in items on the agenda for future meetings.

The minutes were approved.

### **3. Chair's business**

The Chair updated Trustees on the process to recruit up to three new Trustees. The Nominations Committee had agreed a shortlist of candidates and was making progress in discussions with potential Trustees.

He briefed Trustees on his meeting with the Foreign Secretary which had been positive, and in which William Hague had confirmed his support for the work of the British Council, as well as discussing the contribution which the organisation could and already did make to the UK's development priorities.

The Chair and Martin Davidson outlined the preparation of the British Council's bid for the comprehensive spending round. It was clear, in the prevailing environment, that the British Council would not be exempt from reductions in funding; it was, however, critically important for the organisation to explain the savings which had already been made through the Business Transformation programme, and to be able to demonstrate its ability to continue to make change.

In common with other departments and agencies, the British Council was required by Treasury to present a range of alternative financial models, including a reduction of 25% and 40% in core government funding. The Chair had written to the Foreign Secretary, outlining the likely impact of such a large reduction in the grant in aid, which would include significant reductions in programme activity and closures of overseas operations, as well as further post losses in the UK.

There was an ongoing discussion at official level concerning the funding baseline to use for preparing the CSR submission. The view of the British Council, which was endorsed by Trustees, was that the baseline remained at the level of that awarded in the previous CSR, less any amounts which the Trustees had already agreed as savings or contribution to efficiency programmes, giving a British Council baseline figure of £186.4m.

*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\*.*

#### **4. Annual Audit Committee report**

Claire Ighodaro, Chair of the Audit Committee, reported more detail on the key activity from the year, during which she had been Chair of the committee for six months, taking over from Alan Buckle, who had held the Chair during the first part of the year.

She also reported on the meeting of the Audit Committee of 18 June, at which they had reviewed the Annual Accounts and the results of the NAO audit of the accounts for 2009/10.

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They had also reviewed the statement of control and had concluded that reference should be included to the rising number of "adequate" audit ratings being awarded and the decline in "good" ratings. While the Committee agreed that this was normal in a period of organisational change such as that being undergone by the British Council, they would seek assurance that improvements were subsequently being achieved.

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

Trustees discussed the government spending restrictions which had been implemented since the last meeting of the Board. They agreed that the organisation needed to respect the spirit of the move to reduce any wasteful or unnecessary government spending. However, they were particularly concerned about the impact of the restrictions on commercial and contract activity and encouraged the Executive to implement the measures necessary to maintain and develop the business according to existing plans. They also suggested that projects funded by the grant in aid should be reviewed to establish which activities should genuinely be classified as advertising and marketing and were therefore to be considered within the restrictions.

They noted the more detailed analysis of awareness and favourability ratings and agreed that, while it was very important to continue to raise the profile of the British Council in the UK, decisions on any change in strategy should follow the conclusion of the vision and purpose review in which the Board was currently engaged.

The increase in take up of digital material and the increased visitorship to the corporate homepage were both welcomed as steps in the right direction, while much still remained to be done in this area.

Martin Davidson updated *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\**. He also briefed Trustees *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\**. They suggested a thorough review of other markets, to ensure that the risk of recurrence of this particular situation was avoided. Martin Davidson assured the Board that this was already underway.

He finally updated the Board on the Thailand status change, where recent advice had suggested that the original solution proposed for grant activity might not be the most appropriate. He reminded Trustees that the case in Thailand was unique, where a holding company would be established to manage grant activity. This was unlike countries such as Spain and Singapore, where the preferred solution of establishing a branch of the charity had been achieved. The Trustees agreed that the temporary delay in resolving the status of the grant operation did not appear to present an unacceptable level of risk.

## **6. Organisational Performance Report**

The report presented to the Trustees was very brief, given the early stage of the financial year, with data showing performance to the end of May. As requested by Trustees, figures were shown at plan rates. There had been a slow start to grant spending, resulting in a lower call down of funds from the FCO and a balancing reduction in income and expenditure. Similarly, delays by universities in completing the necessary processes for the Erasmus programme had led to a reduction in contract income and a balancing shortfall in agency expenditure. Overall, the net surplus was ahead of plan at this stage.

Mark Robson briefed Trustees on the impact on programmes of some of the reductions in government spending which had already been made. The FCO funded Chevening scholarship programme had, for example, already been reduced by £10m in year, from £24m to £14m; and the Department for Education core grant had been reduced from £7m to £6m. The bulk of the reductions would affect agency income and expenditure and would not affect overall organisational health. *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\**.

## **7. Strategic Risks**

The register had been reviewed and amended in the light of discussion and feedback at the last meeting of the Board of Trustees. In particular, the likelihood and impact ratings had been reviewed: the residual rating to confirm whether potential had been overstated, and the target rating to establish whether the proposed controls were sufficient and appropriate to deliver the change in rating suggested.

Trustees agreed that the changes which had been made were appropriate and noted the dynamic nature of the document, which now included the risks concerning the government spending restrictions discussed earlier in the meeting.

They suggested that the Executive might consider a risk which encompassed a number of the variables already discussed in this meeting, including commercial risk, government spending reductions, tax and status issues and ongoing litigation.

The strategic risk register for 2010/11 was duly approved.

## **8. Opening of new Teaching centre: Jaffna, Sri Lanka**

The Board welcomed and warmly endorsed the decision to open a new teaching centre in Jaffna. They agreed that this was timely and that it was very important for the British Council to be making a contribution to the growing sense of optimism in this area of Sri Lanka, by reengaging and responding to demands for English language and education.

## **9. Justice For All Programme, Nigeria**

The Board was very interested in this project and requested further information about the outputs and outcomes. They also requested clarification concerning the impact for the British Council in the area of Institutional Change.

They congratulated the team on winning this significant contract, a follow up to earlier work also managed by the British Council, and delegated authority to the Chief Executive to sign the contract.

## **10. Resolution: Appointment of Bankers and Authorised Representatives**

This item was withdrawn, as a more detailed, revised document was under preparation and would be submitted to the Board later in the year.

## **11. Audit Committee Terms of Reference**

The terms of reference had been updated following the change in Chair of the Audit Committee. The amendments proposed were largely linguistic corrections and did not include major changes of substance.

The revised terms of reference, a final, corrected version of which was tabled at the meeting, were approved unanimously.

## **12. Any other business**

Trustees were asked to note the date of meetings for 2011.

The Chair reported an information breach which had been notified to the British Council security team, where an individual had been seen in a public place reading board papers marked "in confidence". He reminded Trustees of the principles of handling and keeping secure protectively marked materials and requested them to review and follow the guidance which had been tabled at this meeting.

There was no other business and the business component of the meeting concluded at 1230.

### 13. Our vision and purpose

The Trustees continued their unminuted discussion of the organisation's vision and purpose and medium and long term strategy.

#### Summary of action points arising

##### Meeting of 20 April

(02)6	Board agenda for a meeting in late 2010 to include an item focussing on audience.
(02)7	Board agenda to include an item on advisory groups following agreement of long term strategy.

##### Current meeting

(04)1	Mark Robson to provide more information about outcomes of Justice for All Programme and clarify British Council impact delivered
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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))*