

In confidence

BCB(10)1st meeting

Tuesday 23 February 2010

MINUTES

Present

Gerard Lemos (Acting Chair)
Alan Buckle (Deputy Chair)
Nihal Arthanayake
Pamela Gillies
Tony Hall
Brian Hanna
Sue Hoyle
Claire Ighodaro
Steve Jones
Patrick McKenna
Raoul Shah

In attendance

Martin Davidson
Maureen Laurie
Mark Robson
Bidesh Sarkar
Cathy Stephens
John Worne
Beatrice Pembroke (Observer)
Andy Mackay (Secretary)

1. Apologies for absence

There were no apologies for absence.

2. Recruitment of British Council Chair

Alan Buckle, Deputy Chair and Chair of the Selection Panel, updated Trustees on the recruitment process and confirmed that an extraordinary meeting would be scheduled for the week beginning 1 March to discuss next steps.

3. Minutes of the Board meeting of December 2009 and matters arising

Matters arising from the previous meeting had been actioned, or were to be covered in items on the agenda for this or the following meeting.

The minutes were approved.

4. Chair's business

The Chair congratulated Tony Hall, on behalf of the Board, on his recent appointment to the House of Lords.

The Chair informed the Board that Claire Ighodaro would complete her three year term as a Trustee on 19 March 2010. Claire had indicated her willingness to serve a second term as a Trustee, should the Board reelect her. Her re-election was proposed by Nihal Arthanayake and seconded Steve Jones. She was re-elected unanimously to serve a second term of three years as a Trustee, with effect from 20 March 2010.

The Chair welcomed Beatrice Pembroke, Private Secretary, who was attending the meeting as an observer. He recorded his thanks for her support and hard work during his time as Acting Chair.

The Chair invited Claire Ighodaro, Chair of the Audit Committee, to give a summary of the meeting of the Audit Committee which had been held on 22 February.

She reported that Sue Hoyle and Patrick McKenna had now joined the committee, following their election at the last meeting of the Board of Trustees.

The meeting had reviewed possible changes to the committee's terms of reference, which would be submitted to the next meeting of the Board of Trustees for approval. There had also been a review and approval of the work plan for the year.

An update from Internal Audit confirmed that they were on track to deliver their plan for 2009/10. The committee had expressed its concern over the control environment in Sierra Leone, following the recent incidence of fraud. They were seeking assurance from the Executive over the priority which was being given to addressing the recommendations for improvement made by Internal Audit. The Chief Executive confirmed that this was a matter of considerable concern and that outstanding issues were being addressed as a matter of urgency. The Audit Committee would be kept updated on progress.

Claire Ighodaro reported on a useful visit which she had made to the National Audit Office as the incoming Chair of the committee. She had discussed the increasing complexity of the organisation with the emerging group structure and how NAO would be able to provide assurance for the group.

The committee had reviewed the British Council's strategic risk process, which was of great importance in understanding and mitigating the key risks for the organisation. The Chair of the committee recommended that the Board of Trustees should review the strategic risk register on a regular basis and ensure that they were comfortable with the risk mitigation measures which had been put in place. She also suggested that consideration be given to the involvement of Trustees in the workshops to review and prioritise strategic risk.

5. Chief Executive's Report

Further to his written report, the Chief Executive drew the attention of Trustees to the following:

Staff pay: The Executive Board had announced pay restraint for 2010/11, and ongoing consultation with Trade Union representatives about a possible pay freeze for all UK appointed staff. The context overseas was more complex, given operating environments with hyperinflation or legal requirements regarding pay adjustment. However, the goal was to cap the overseas pay bill at the 2009/10 level; Regional Directors would manage country variations on that basis.

Trustees strongly endorsed the view that the pay bill must be tightly controlled in the current environment and that, while there should be flexibility for legal requirements and other factors in overseas environments, pay increases should be exceptional. They further agreed with the Executive that, following the voluntary early retirement programme, tight control of the headcount would be

extremely important. Communications concerning headcount and pay should be clear and consistent for both internal and external audiences.

Review of overseas allowances: A consultation process was being launched concerning proposals to modernise the package of allowances for internationally mobile staff. The objectives were to modernise the total package, to adequately reward those working in the most challenging environments overseas, to recognise a commitment to genuine global mobility and to realise savings in the total cost of the expatriate package. The Board endorsed the approach, particularly the intention to adjust the reward package according to the relative difficulty of the particular environment in which globally mobile staff were working.

International recognition of cultural relations: The recent visit and lecture by Professor Joseph Nye had underlined the currency of the British Council's approach to cultural relations. This was reinforced by the French government's establishment of an organisation modelled on the British Council. Countries like Vietnam were questioning how they might use cultural diplomacy to distinguish themselves. There was an increasing need for all countries to demonstrate the domestic value of their cultural relations activity: this applied equally in the UK. Trustees requested a report on the approach and level of support for cultural relations activity in key comparator countries.

6. Organisational Performance Report

The Board noted that the report for December 2009 indicated that performance remained broadly on track for 2009/10. They noted particularly:

- That income growth from teaching centres was in line with targets but that there were variations in performance in different countries. They requested for their next meeting further analysis of geographical variations for the teaching of English. They would additionally be interested to have more information about the competition in key countries as well as demographic trends.
- The difference between forecast and actual spend of programme funds. While it was acknowledged that programme spend had historically been weighted to the last months of the year, they felt that this was not the best spend profile. The Executive was of the same opinion and explained that their goal was to move the majority of the activity to an earlier part of the financial year.

7. Corporate Plan

The Board reviewed the text of the draft corporate plan for the final year of the three year triennium 2008 – 2011. They agreed that it was a clear document which provided a useful overview of the work of the organisation.

They requested that the document should include some additional content about the British Council's work and impact in the United Kingdom. They also suggested that the copy should be checked to ensure that all the language used was clear to an external audience and that terms such as "aspirant", which were current inside the organisation but not outside, were properly explained.

They agreed that it would be important, possibly through the Chief Executive's foreword, to highlight the transformation in the business model of the organisation in recent years and how this had been fundamental in positioning the organisation to handle the challenges presented by the global economy and the loss of purchasing power of Sterling.

The Board reviewed the operating plan for 2010/11. They noted the stretching targets for growth in impact and in income. They also considered the investment priorities for the year.

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.*

The Board had reviewed the organisation's status as a charity and sought reassurance that their agreement to the savings would not contravene their legal obligations under the Charities Act. They took most seriously their responsibilities for the well-being and effectiveness of the British Council and believed that the policies and strategies which they had pursued had placed the organisation on a sound financial footing, with adequate reserve to protect it in the current, difficult economic operating environment.

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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.*

Trustees noted that the operating plan included a level of risk, particularly with ambitious targets for growth in partnership income. The Executive explained the measures which were being taken to mitigate the risk, which Trustees agreed to be appropriate and suggested should be reviewed on a regular basis.

The draft corporate plan and financial operating plan for 2010/11 were approved.

8. Annual report

The Board approved the approach proposed for the 2009/10 Annual Report. Sue Hoyle and Raoul Shah agreed to act as Trustee advisers to the team working on development of the report.

9. Proposed amendments to Royal Charter

The Board considered the updated legal guidance on possible areas in which they might wish to seek permission from the Privy Council to make changes to the Royal Charter, at the same time as seeking to include the charitable purpose around cultural relations which was under discussion with the Charity Commission.

Their reflection focused on possible changes which had been the subject of most discussion at their last meeting, particularly the proposals to seek the right to remunerate the Chair and to remove the requirement that Trustees must be British citizens.

They agreed that it would be prudent to seek permission to remunerate the Chair, on the understanding that remuneration would only be offered if and when the Trustees agreed it appropriate, and not as a right. It was agreed that this decision had no bearing on the current recruitment exercise for a new Chair.

The Trustees were unable to reach a unanimous view on the proposal to remove the requirement that Trustees must be British citizens. The potential advantages and disadvantages of the measure were discussed. By vote, the Trustees decided to seek permission to make the change to the Royal Charter to allow non British citizens to be elected as Trustees of the British Council, with nine votes in favour and two against.

The Chair requested the Secretary to the British Council to pursue consultation with the Privy Council, the Charity Commission and the Foreign and Commonwealth Office concerning the changes proposed. The Board further noted that the Office of the Scottish Charity Regulator and the new authority for charity regulation in Northern Ireland should be included in the consultation.

10. Enterprise sub committee

The Board considered the proposal to establish an Enterprise sub-committee as part of their discussion of the longer-term organisational strategy. They agreed that the sub-committee would serve a usual purpose, endorsed the terms of reference and requested the governance group, which was currently advising the Chief Executive, to take forward the proposal.

11. Status and tax: British Council USA not for profit

The Board noted and endorsed the decision to establish a separate 'not for profit' 501 (c) 3 legal entity in the USA. They noted that the funds raised by the entity would be liable to the restrictions of application outlined in the US Patriot Act.

Trustees were requested to propose appropriate US citizens who might be invited to sit on the Board of the not for profit body.

12. Status and tax: British Council Portugal Branch Status

The following resolution was proposed by Gerard Lemos and seconded by Nihal Arthanayake and was approved unanimously:

It is resolved that:

(1) a branch of the British Council in Portugal shall be established and registered under the laws of the Portuguese Republic;

(2) the name of the branch shall be as follows: British Council - Representação Permanente em Portugal;

(3) the address of the branch shall be: Rua Luís Fernandes, n.º 1 - 3, Lisboa;

(4) the General Manager of the branch shall be Gillian Anne Caldicott, *Information in this section has been redacted/removed as it is likely to be exempt from disclosure on the grounds that it contains "personal data" as defined in Section 40(2) of the Freedom of Information Act 2000**.

(5) to approve a power of attorney in favour of the General Manager of the branch;

(6) To authorise the execution of the following document, for and on behalf of the British Council:

(a) Power of Attorney in favour of Gillian Anne Caldicott to act in the capacity of the General Manager of the branch.

13. Status and tax: Establishment of a wholly owned subsidiary of the British Council in India

The following resolution was proposed by Gerard Lemos and seconded by Nihal Arthanayake and was approved unanimously:

It is resolved that:

13.1 the British Council be and is hereby gives its no objection to the use of the initials "BC" or any part/ derivative thereof as part of the name of the proposed Indian Company namely "BC Management Services Private Limited" or any other name as may be approved by the Registrar of Companies, NCT of Delhi & Haryana;

13.2 the aforesaid proposed Indian Company to be incorporated with an initial authorised share capital of Rs. 500,000/- (Five Lacs) divided into 50,000 (Fifty Thousand) Equity shares of Rs. 10/- (Rupees Ten Only) each or any other sum as may be desired by the concerned Registrar of

Companies in India; for the purpose of the incorporation of said Indian Company namely BC Management Services Private Limited or any other name as may be allowed by the Registrar of Companies, NCT of Delhi & Haryana, the Board of Trustee do hereby jointly and severally appoint, constitute and nominate *Information in this section has been redacted/removed as it is likely to be exempt from disclosure on the grounds that it contains "personal data" as defined in Section 40(2) of the Freedom of Information Act 2000**.

13.3 as its true and lawful Authorized Representative with full powers and authority to jointly and severally execute all acts, deeds and things as hereinafter mentioned on behalf of and for the British Council viz.,

13.3.1 To sign/ represent/ subscribe to the Memorandum and Articles of Association of the Indian Company and subscribe 100 equity shares of Rs.10/- each aggregating to Rs 1,000/- on behalf of the British Council. The remaining 9900 equity share of Rs.10/- each aggregating to Rs. 99,000/- to be held by BC Holdings (United Kingdom) Limited, as a parent of the proposed Indian company; and

13.3.2 Generally to do all acts and things incidental to the power hereinabove mentioned and all other acts and things necessary for incorporation of the Indian Company;

13.4 The following shall act as the first Directors of the aforesaid Indian subsidiary company:-

- (1) Bidesh Sarkar
- (2) Simon Kay
- (3) Vineeta Mathur

13.5 Mrs Geeta Arora be and is hereby also authorized to represent herself or appoint any Practicing Company Secretary or Chartered Accountant or Advocate to represent in oral or writing before the Registrar of Companies regarding the name application and to carryout necessary corrections, amendments, changes, additions, alteration, deletions and such other work as may be necessary, in the Memorandum of Association and Articles of Association and other papers/ documents filed or to be filed before Registrar of Companies for incorporation and to appoint attorneys to carry out such correction and amendments etc for and on her behalf.

13.6 the authority of the aforesaid resolution shall be effective solely for the purpose of executing the documents and performing the functions described above and shall terminate on incorporation and matters incidental thereto of the proposed company in India and no power whatsoever to represent or do any act on behalf of British Council will be effective after said date.

14. Central Bureau Pension Fund: Resolution

The Board of Trustees agreed to the adoption, by way of resolution, of the Central Bureau for Educational Visits and Exchanges (CBEVE) Pension and Life Assurance Scheme Deed of Amendment detailed in Board Paper BCB(10)09. The resolution was proposed by Gerard Lemos and seconded by Nihal Arthanayake and was unanimously approved.

Trustees requested further briefing, at a future meeting, on the scheme and its funding.

15. Any other business

There was no other business.

The formal business component of the meeting ended at 1300.

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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)*