

In confidence

BCB(10) 3rd meeting

Tuesday 25 May 2010

MINUTES

Present

Vernon Ellis	Chair (item 7 ff)
Nihal Arthanayake	
Pamela Gillies	(item 1 – 9)
Brian Hanna	
Sue Hoyle	
Claire Ighodaro	
Howell James	(item 3ff)
Steve Jones	
Patrick McKenna	

In attendance

Martin Davidson	
Mark Robson	
Bidesh Sarkar	
Cathy Stephens	
John Worne	
Rob Lynes	(Item 7)
Andy Mackay	(Secretary)

1. Apologies for absence

Vernon Ellis had sent apologies for an unavoidable delay in his arrival, the result of security arrangements for the state opening of Parliament affecting access to Spring Gardens. In his absence for items 1 – 6, Claire Ighodaro chaired the meeting.

Alan Buckle, Tony Hall and Raoul Shah had sent apologies for their absence.

2. Election of new Trustee

In advance of the meeting, the Chair had sent to Trustees the nomination of Howell James for election as a Trustee of the British Council. The nomination was proposed by Nihal Arthanayake and seconded by Pamela Gillies. Howell James was elected unanimously for a three year period with effect from 25 May 2010. He joined the meeting and was welcomed by Claire Ighodaro on behalf of the Board. He expressed his delight at his election and his pleasure at the prospect of working as a member of the Board.

3. Minutes of the Board meeting of February 2010 and matters arising

Items 1 – 3 of the matters arising had been actioned, or were to be covered in items on the agenda for this meeting. Items 4 – 7 would be actioned for future meetings.

The minutes were approved.

Chair's business

This item was deferred in the absence of the Chair.

4. Audit Committee report

Claire Ighodaro, Chair of the Audit Committee, reported on the key agenda items at their meeting, which had taken place that morning.

Good progress had been made on the year end accounts, but much remained to be done. The British Council and NAO teams were working together effectively, all issues raised were being addressed and the timeline for completion of the process was expected to be met. The committee had signed off the statement of internal control for the annual report, noting the area of weakness relating to the fraud in Sierra Leone, which had been reported to the Board in previous meetings. The committee had been pleased to note that action had been taken to strengthen financial control in Sierra Leone as a result of the fraud. Internal Audit had been requested to revert to the committee highlighting any additional areas of weakness.

The committee had considered the requirement for an external audit of overseas subsidiary entities. While the National Audit Office would remain responsible for the end to end audit, it was not legally authorised to act as an auditor outside the UK. The committee had therefore decided that a tender exercise should be launched, led by the non executive committee members, to select an external auditor for the UK holding company, the subsidiary entities and the registered branches of the main charity. The tender would be run under EU regulations and was likely to take around four months to complete.

It was discussed whether the auditor should be appointed by the British Council or should be appointed by the Board of the relevant entity, with advice or a recommendation from the Audit Committee. The Secretary was requested to seek a legal opinion on the correct procedure.

5. Chief Executive's Report

Martin Davidson reported on the security situation in Thailand, Nepal, Yemen and Greece.

The situation in Thailand was stabilising, although unrest had taken place close to the British Council, including the burning out of the adjoining building. A total of forty days activity had been lost across the centres in Bangkok and an additional two days in Chiang Mai. Staff had responded extremely well in a very difficult situation, and the Board and the Executive recorded their appreciation for the way in which Barry Breary, Acting Director, and the entire team in Thailand, had responded.

In Nepal, the British Council had been closed for ten days as a result of Maoist activity. *Information in this section has been redacted/removed as it is likely to be exempt from disclosure on the grounds that it may "compromise health and safety" as defined in Section 38 of the Freedom of Information Act 2000**. 350 examinations had been lost as a result.

The office in Yemen had been closed briefly after the attempt on the life of the British Ambassador.

The office in Greece, which was situated close to the bank which had been set on fire during unrest in Athens, had been closed for one day. The impact had not been significant, but staff morale had been badly affected.

He also reported on his recent visits to Colombia and Brazil. In Colombia, where the British Council operation was well founded and very effective, he had met the President, who was extremely complimentary about the work of the British Council in developing bilingual education. In Brazil, it was clear that the UK in general was not achieving as much as it could. *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 international relations" as defined in Section 27 of the Freedom of Information Act 2000**. An internal round table had been organised to evaluate how best to respond to new opportunities in Brazil.

He finally updated the Board on the process to redeploy staff after the voluntary early retirement (VER) programme. Around 330 staff had left on VER, leaving an additional 170 positions to be eliminated over the course of 2010/11 through removal of vacant posts or suppression of posts currently occupied by temporary staff.

Approximately 50 staff remained unplaced after the redeployment process. The executive had decided that staff at the most junior grades must be placed, but communication and consultation with trade union side would begin within the next week concerning the need for a compulsory redundancy programme. The Board noted that this was a difficult and sensitive process for both staff affected and the executive and offered their support for the approach, which they considered was being well handled in the current environment.

6. Organisational Performance Report

Mark Robson updated the Board on the year end results. Total financial and non financial targets had all been exceeded. The Chair offered congratulations on behalf of the Board for a very successful performance.

He explained that the significant investment which had been made in the business transformation process had been funded from the organisation's reserves, with no additional public funding. In the current, difficult economic environment, it was likely that any future investment would need to be funded from the reserves, which would also need to be maintained to cover liability in the more complex and threatened global trading environment. This would require extremely tight management.

The Board suggested that, as a part of the regular management reporting, they would appreciate more narrative detail about the non-financial performance, particularly including examples of the most successful projects for both engagement and reach.

7. Examinations Business – strategic focus

Rob Lynes, Deputy Director Operations, outlined the contribution made by the British Council's work in examinations to the organisation's cultural relations impact. He also explained the overall vision for examinations, current plans for development and some of the strategic choices to be made.

The Chair explained that the goal of this item was to give Trustees greater insight into the examinations work, to enable them to consider its role in achieving the purpose of the British Council, as well as how best to develop it within the organisation's portfolio, as a part of their review of vision and purpose which would begin later in this meeting.

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.*

8. Staff Survey

Martin Davidson reported to the Board on the results of the staff survey. The response rate remained high, and well above the average for both the public and private sectors. The survey had been conducted during the recent VER and restructuring exercises, which might have affected the results. Analysis of the results was particularly focussing on trends in engagement scores. While scores for Country Director engagement had improved significantly following a focus on this group as the result of last year's survey, the scores were showing a decrease in some other areas, most notably in the UK. Management engagement needed to be cascaded more effectively, and managers were being asked to devise approaches to improve their own engagement, particularly in the UK. All units were being asked to review their results systematically and to implement follow up in areas of concern.

The Board agreed that the drop in the score for confidence in the Executive Board indicated a degree of staff dissatisfaction. Follow up could focus on establishing the cause of the dissatisfaction and whether it was specific to the executive or had a wider basis.

9. Annual Assessment of Risks Facing the British Council

The Board noted and endorsed the report of major risks and the mitigating action which had been implemented to address them in 2009/10. Their discussion focussed on the strategic risk register for 2010/11, particularly the likelihood of some of the risks, the proposed mitigation and the likely impact of that mitigation in reducing the residual risk level.

They suggested that the current labels of residual and target risk rating were confusing and potentially incorrect, and asked for this to be reviewed.

They were concerned by the likelihood rating for the risk relating to child protection. They asked the executive to review and, if necessary, amend the likelihood rating. Mitigation should also be reviewed in the light of the final rating awarded. If high ratings were being given, the Board would seek confirmation that the proposed mitigation was appropriate and was being pursued vigorously.

Trustees agreed that the effectiveness of mitigation assumed by the target risk rating was, in some cases, too ambitious to be achieved over a twelve month period. They requested the executive to review the register in the light of their comments and to represent it to the Board following any changes. They noted that they would receive a quarterly update on the register and it was suggested that the report should additionally include a detailed focus on one or two key risks each time.

10. Remuneration Committee – Terms of Reference

The Board approved the revised terms of reference for the Remuneration Committee, an updated version of which was tabled at the meeting.

11. Restructuring of BC Trading and BCT Events India

The following resolution was proposed by Vernon Ellis, seconded by Nihal Arthanayake and unanimously approved. It was resolved to:

- To approve the transfer of ownership of the entire shareholding of 100 ordinary shares of £1 each in B C Trading International Ltd from the British Council to BC Holdings (United Kingdom) Limited; and

- To approve the subsequent transfer of ownership of *[one share]* in BCT Events and Promotions India Private Limited, a subsidiary of B C Trading International Ltd, from the British Council to BC Holdings (United Kingdom) Limited.

12. Our vision and purpose

The Board discussed the process which they would follow over the coming months in their review of the organisation's purpose, narrative in organising principles. Their goal was to achieve clarity and simplicity, and to agree a direction for the coming years.

In this first session, they reviewed the existing purpose statement for the British Council.

They discussed the extent to which prosperity could be linked to trust and openness. They agreed that there was a correlation between GDP and openness and that this provided a clear basis for an approach to country segmentation. They were interested to learn of current work which was establishing the link between openness and trust and determining the degree to which participation in cultural relations built trust for the UK. They were encouraged by initial findings that there were strong correlations in both cases.

They reviewed the current purpose statement in the light of the organisation's charitable purposes. They agreed that it the statement would be strengthened by the inclusion of reference to opportunity, which lay at the heart of the organisation's mission. They also agreed that the role of the British Council in building links between the UK and other countries was core to its purpose. However, they were clear that the mission of the British Council was not to defend the UK's interests, which was more properly the job of the FCO, and that the current statement did not adequately capture the two way nature of the engagement which the British Council sought to build.

They agreed that the statement should be reworked in the light of their discussion, that they would consider any revisions proposed at their smaller group meeting in June and would sign off a final version at the Board meeting in July.

13. Any other business

There was no other business and the meeting ended at 1320.

Summary of action points arising

Previous meetings

(02)4	John Worne and Raoul Shah to report to the Board in the July meeting on challenges to address in building the image of the British Council in the UK.
(02)5.	Board meeting agenda for July to focus on strategic narrative and its development.
(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

(03)1	Board Secretary to seek a legal opinion on the correct procedure for appointment of external auditors for subsidiary entities.
(03)2	Cathy Stephens to consider how to improve narrative reporting on large scale programmes within the organisational performance report.
(03)3	Bidesh Sarkar to lead review of strategic risk register for 2010/11 and represent to Board with any changes.
(03)4	Board of Trustees to receive quarterly updates on strategic risk register.
(03)5	John Worne to review purpose statement and propose any changes for Board group meeting

	on 23 June.
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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)*