

In confidence**BCB(20)3rd meeting**

Wednesday 3 June 2020

MINUTES**Present**

Stevie Spring
Rachel Lomax
Mark Beddy
Janet Beer
James Cronin
Stephen Deuchar
Yasmin Diamond
Tom Drew
Debbie Forster
Kevin Havelock
Rob Humphreys
Kirsty Lang
Clare Reddington
Fiona Salzen
David Verey

Chairman

In attendance

Ciaran Devane, Chief Executive (CEO)
Richard Thomas, Chief Finance Officer (CFO)
Andy Williams, Chief Operating Officer (COO)
Kate Ewart-Biggs, Director Global Network
Mark Robson, Director English and Exams
Mark Stephens, Director Cultural Engagement
Catherine Ward, Global People Director

Alison Coutts, Secretary

1. Chairman's introduction

1.1 Apologies for absence & declarations of interest

There were no apologies for absence and no declarations of interest.

1.2 Minutes of the Board meeting of 24th March 2020 and the fortnightly meeting of 19th May and matters arising

All matters arising from the meetings had been actioned.

The minutes were approved.

1.3 Chairman's comments

The Chairman noted that the main focus of the meeting would be on the three parallel but interconnected workstreams to rescue, rebuild and renew the British Council although the most urgent is the rescue strand. She commented that although the executive teams have been working intensively on all aspects and the trustee cashflow group has been engaging throughout, this meeting would be an opportunity for all trustees to understand the latest position and challenges and to contribute their views and concerns.

2. Covid-19 risk management

2.1 Cashflow

The CFO referred to the forecast in the pack which shows the organisation falling below the minimum required cash float of £70m in June and into negative cash by August. This means that branches' and subsidiaries' liquidity will be supported by working capital held for customers and contract funders and that without a realistic expectation of external funding the British Council would be insolvent within weeks. The position assumes 6 months of closure except where operations are known to be reopening which could be improved or worsened depending on when more countries open up. Social distancing rules raise capacity challenges when centres do reopen, but management is trying to address these through having more sessions in more venues.

It was noted that the Cashflow Group considers weekly whether the organisation remains solvent and it currently considers that it is for the short term, however checks and balances are in place to inform a different decision at any time.

Trustees considered that they may have to make a decision on whether to use some of the £80m ODA advance to remain solvent in the short term as a last resort to meet their obligations to act in the best interests of the organisation and its creditors. They could only do this if they had a reasonable expectation that funding is forthcoming to put the organisation on a longer-term sustainable footing. The FCO has been informed that this position may be reached and have been requested to relax the restrictions applied to ODA funding temporarily. Tom Drew would withdraw from this decision as it would be a conflict of interests. Further related legal advice on the trustees' liabilities will be shared.

They noted that adequate resourcing to support corporate finance and remodelling is a challenge and some external advice will be required.

Trustees also expressed their concern to see an acceleration of work to provide data points and governance to enable decision-making and better oversight by trustees of the commercial business as it's rebuilt. This should be reviewed by the cashflow group.

2.2 The Foreign Secretary's Review

The CEO and Director Global Network updated Trustees on the review, a draft of which had been discussed at the FCO's Management Board the day before and would go to their Supervisory Board on 11th June. The review is a gateway which will lead into the Spending Review in July.

Trustees were pleased to see the summary feedback to the FCO from other government departments, the Welsh government, the Northern Ireland Office and Heads of Mission, which includes some excellent examples on how the organisation adds value.

They suggested that it would be helpful to equip the FCO with a couple of killer figures to support the value to the UK case, for example the contribution to the economy of our work in higher education, as well as to make it clear that we are ahead of the curve on our digital approach with online models for teaching and tests which have potential to be developed further. The value of our work across all the nations of the UK should also continue to be stressed.

3. Covid 19 risk management

3.1 Future British Council

The CEO and Director Cultural Engagement explained that the paper relates to the renew phase of work and builds on content that went into the Foreign Secretary Review. It's at an early stage but sets out the workstreams which will be underpinned by work on business plans and operating models to be reviewed at the end of June. It will also prepare us for the Spending Review when it is launched in July. The work will be managed through the internal sustainability group which will map interdependencies and ensure there is appropriate resourcing. It will take a hard look at costs and the investment required to make the changes needed.

Trustees advised that it's important to express optimism and confidence, building on our brand and thought leadership. The thinking should also be ambitious for the role we can play for the UK in a changed context where our purpose is vital, and this should be reinforced by stronger arguments on what more we could achieve and where. It needs to be clearer on the value it brings to and from all parts of the UK and demonstrate how it is part of and complements the totality of the government's vision for the UK in the world.

3.2 Guidance on opening up safely

Director Global Network summarised the process in place to support decision making on opening up safely overseas. It supports a flexible approach to enable restarting some parts of our work and not others, and/or closing and reopening periodically depending on the local context. She noted that feedback from Country Directors is positive.

The COO summarised the situation for offices in the UK which remain closed. However, following a recent survey it's clear that a small number of people (5%) will need access to the London office shortly, mainly to deliver exams, so there are plans in place to open one floor in Spring Gardens whilst putting in measures to ensure safety including physical distancing. There is also ongoing work on health and safety risk assessments for those working at home.

Trustees agreed that the process is reassuring and stressed that it is important to keep health and safety top of mind.

4. Management Reports

4.1 COO end of year report

The COO referred to the end of year report in the pack which includes elements that will be in the Annual Report. He reminded Trustees that the first 9 months were before Covid-19 and at that point the results were good and reflected considerable achievements in innovation and implementing new services and products. The results and data in the report have been shared with the Review team to help demonstrate how we bring value to the UK and its economy.

Trustees noted that there are still improvements to be made, e.g. improving the quality of customers' experience of IELTS which is being worked on. Overall they agreed that it is an excellent document showing great results clearly and succinctly, and should be shared widely.

5. Corporate and governance

5.1 Annual Report & Accounts

Trustees approved the new timeline for presenting the Annual Report & Accounts to the Board for approval and signature in September or October, following review by the Audit & Finance Committee. They noted the difficulties experienced by NAO in completing the audit due to the disruption from Covid-19 and also that finalisation will be dependent on being able to include a going concern statement. They asked that a statement on benefit in kind be included.

5.2 Reports from Audit & Finance and Commercial Committee meetings

The Chairs of the above Committees referred Trustees to the minutes of recent meetings which had been uploaded onto Diligent.

The Chair of the Commercial Committee highlighted that members had received more clarity on the financial split between the commercial businesses to help inform decision-making, that they

had been given confidence that the businesses are restarting as quickly as possible, and that the crisis has acted as an accelerator in terms of a significant shift online for teaching and exams.

The Chair of the Audit & Finance Committee highlighted that members had received an audit opinion on the effectiveness of controls which was similar to the previous year's. He also noted that the Audit plan for the coming year will need to be flexible considering external circumstances and disruption.

5.3 IELTS Smart Learning VIE

The Board approved the establishment of a Variable Interest Entity (VIE) in China so that the business can apply for an Internet Content Provider (ICP) licence which is required in order for IELTS Smart Learning to exploit B2C channels. The establishment of the VIE requires no additional funding and will also require FCO approval.

They noted that the entity would rely on a trustee nominee to act as shareholder and protect the organisation's rights, and asked management to ensure that strict governance is put in place to ensure the arrangement works well.

5.4 EnglishScore WOFE

The Board approved the establishment by the UK registered joint venture company – EnglishScore - of a wholly-owned Chinese subsidiary to release two products, *EnglishScore* and *MyTutor*, into the Chinese market. They noted that no additional investment is required and that this will also require FCO approval.

Trustees asked that requests such as 5.3 and 5.4 above are reviewed by the Commercial Committee before coming to the full Board in future to ensure deeper scrutiny.

6. Any other business

The Chairman thanked the executive for excellent work and asked them to pass on Trustees' thanks to their teams.

There was no other business and the meeting finished at 12.30.

There followed an in camera session with Trustees.

During the session the Chairman noted that Yasmin would finish her first term as a Trustee on 10th July and asked for their approval for a 2nd three year term.

Trustees approved.

Yasmin Diamond had left the meeting for the above item.

Action points

Meeting date	Action	Owner	Due date (note reasons for changes)	Status:
Jun 2020	Send further legal advice on Trustee liabilities	Secretary	June 2020	Closed
Jun 2020	Provide data points to enable decision making on cashflow. To be reviewed by the cashflow group before being shared with Trustees.	CFO	June 2020	Closed
Jun 2020	New entities requiring Board approval to be scrutinised by the commercial committee first.	Director E&E	June 2020 onwards	Open