BRITISH COUNCIL

Board of Trustees — 7th meeting

In confidence

Tuesday 14 December 2021 10.30 – 13.00

MINUTES

Present

Stevie Spring Chairman
Mark Beddy
Stephen Deuchar
Yasmin Diamond
Richard Hookway
David Lefevre
Rageh Omaar
Malcolm Press
Clare Reddington
Seona Reid
Sushil Saluja
Fiona Salzen

In attendance

Scott McDonald, Chief Executive (CEO)
Andrew Horton, Director Digital, Partnerships & Innovation
Richard Thomas, Chief Finance Officer (CFO)
Charlie Walker, Director Global Network
Mark Walker, Director Transformation
Andy Williams, Chief Operating Officer (COO)
Alison Coutts, Secretary

1. Chairman's introduction

1.1 Apologies for absence & declarations of interest

Tom Drew had sent apologies for his absence. There were no declarations of interest.

The Chairman welcomed David Lefevre to his first meeting.

1.2 Minutes

The minutes of the Board catch up meeting on 16 November were approved.

Matters arising: the Chairman noted trustees' thanks to Rachel Lomax who had just finished her term as Deputy Chair. They commented that she had contributed huge value throughout her time as a trustee, including helping to steer the organisation through the pandemic. The Chairman noted that advice on how to respond to messages on Afghanistan had been circulated and further advice for trustees on use of social media would be provided in the new year. Other matters arising were already addressed or would be covered in today's meeting.

2. CEO Report

The Chief Executive made the following remarks.

There have been three sets of articles in the press about the British Council over the last week which have raised our profile in the UK and have been mostly positively. They covered Afghanistan, the Turing contract and the organisation's Inclusive Language Guide.

We continue to make our case for the spending review with the aim to agree a settlement which will minimise cuts to our network and programmes and allow us to continue operating effectively. We are slowly making progress.

Most major areas of the transformation programme have been launched. The focus is now on working through the processes and preparing for the professional services element which will go out to market in the spring. He thanked the trustees who had join a session to advise on this part of the programme.

We were subject to a fairly significant cyber incident. However the team did a great job in responding and it showed that we currently have robust defences and tracking mechanisms in place, but this is under constant review by the Risk Committee.

Information in this section has been removed as it is likely to be exempt from disclosure on the grounds that it contains "personal data" as defined under Section 40(2) (Personal Information) of the Freedom of Information Act 2000.

Director Digital, Partnerships and Innovation gave the following update on the Echo2 connectivity contract. Following a procurement exercise Vodafone disputed the award of the contract to another party and a court hearing is set for January. In the meantime the FCDO is negotiating a potential settlement under which: they would pay the legal costs, we both would commit to upgrading old equipment we have across the network, and the contract with Vodafone would be extended for 6 months with the potential for an exit after 3 months. We've already budgeted for the costs of upgrading. There would also be a delay in benefit realisation but we already making savings of £2.5m a year which will cover this. A paper will be circulated to the Board for approval.

3. Q2 performance report

The COO highlighted the following.

The report shows continued progress in the 5 priority areas and gives examples around rescuing and rebuilding our income and surplus. It also demonstrates growth in meaningful engagement, for example from 3.3m to 9.7m in education. Quality experience for customers and partners, and net promoter scores, are moving in the right direction despite the continuing pandemic-related and geo-political challenges.

Transformation is currently the highest priority and we are using the quarterly business reviews to identify challenges that need attention and then streamlining processes and making operational improvements as we go along.

To support our environment strategy, a new management system is being rolled out so we can better manage our data. We are also continuing to develop our control and compliance framework and the FCDO central audit assessment was positive, providing a strong endorsement of our processes and practice. We have a plan in place to address the actions.

Trustees thanked him for a useful report.

4. CFO report

The CFO gave the following updates.

Q2 forecast and management accounts

The biggest impact is from the India IELTS sale after which we are projecting a loss of £23m rather than nearly £120m. However, two provisions are reflected which may come out at the end of the year. These cover potential tax costs in India and £20m of contingency.

Commercial income is down due to closures in China and a slower recovery in teaching which continues to fluctuate. However, the surpluses are holding up following tight cost control. Grant spend is forecast at 65% at the end of December rather than 70%, as confirmation was much delayed and the pandemic halted various face-to-face activities.

Inflation is a challenge and we will need to be clear on our assumption when preparing the budget for next year.

Loans

We have a restructuring loan and an insolvency loan and the latter expires at the end of December. The proposal is to then combine the loans for simplicity, but whilst this is being negotiated we need to extend the current insolvency loan until the end of January. The Chair of the Cashflow Committee confirmed that the Committee thought it the right course of action. The Board approved in principle subject to reviewing the final terms.

5. Annual report and accounts

The COO referred to the latest draft of the narrative which will be finalised once the going concern and loan requirements have been completed. He noted that trustees have already commented but there is still time to make some minor adjustments.

Trustees agreed that it was very impressive and made the following comments. Although it references commitment to the four nations of the UK strongly in later sections it would be helpful to do so from earlier on. The summary of achievements could be presented more vividly to ensure the story it tells is prominent. It would be helpful to clarify references to diversity data so it's evident whether it's referring to UK or global staff.

The CFO referred to the accounts section and noted that the trustees need to satisfy themselves that the charity is a going concern and can pay its financial commitments when they fall due for at least a year ahead. He commented that a proposal for a two-year loan and a commitment to then refinance it if required at a level the organisation can afford, plus a request for a letter of comfort, are still with the FCDO to seek that assurance.

The Chair of the Audit & Finance Committee confirmed that the draft had been considered at a recent meeting and that the auditor's report was substantially completed. He noted that a statement will be included noting that the risk reserves are depleted but that there is a plan to build them up over the next 5 to 10 years. He commented that an updated reserves policy will come to the board next year for review and approval.

The Board thanked the team for putting us into a much stronger position than we were this time last year. They approved the report in principle subject to a final review in January.

6. Reports from committee meetings

The Committee Chairs or, in the case of the Risk Committee, their delegate, reported back on the main points covered as follows.

<u>Audit and Finance</u>

The committee had reviewed the regular update from internal audit which included four audits with limited assurance. This was not surprise as there are resourcing gaps and the focus is on areas of high risk. There is however an action plan to address outstanding issues and the Committee was assured that additional resourcing will be in place soon. It also reviewed the half year accounts which have now been submitted to the FCDO as part of our loan agreement. The Board took note of the Committee's year-end report.

<u>Risk</u>

The Committee had reviewed the risk management process and agreed it had greatly improved over the last year. It also reviewed the statement of risk appetite in the Annual Report and tightened it up. It looked at serious incidents including one in Kenya which it agreed should be reported to the Charity Commission. It considered the cyber area of risk and concluded that mitigations had much improved.

<u>Commercial</u>

The Committee had reviewed the business accounts and forecast noting that revenue is 50% higher than at this time last year though only 75% of pre-pandemic levels. It looked at the updated 5-year plan which is required as part of the loan agreement. It also reviewed the plans to transform both the face-to-face and digital parts of the English business.

6.1 Terms of Reference and membership

The Chairman reminded trustees that the new Committee structure they had approved previously would come into effect in January 2022. The Board then considered and approved revised Terms of References for the following Committees:

- Audit and Risk
- Finance

- Commercial
- Remuneration and People
- Nominations.

The Chairman noted that the Terms of Reference were living documents and would be reviewed again in a year's time.

7. Committee membership

The Board also reviewed the proposed changes to the membership of the revised Committee structure and gave their approval.

The Chairman thanked members for their support.

8. Advisory committees and groups – next steps

The CEO thanked trustees for the discussion on increasing engagement with the advisory bodies at the last meeting and presented the updated proposal. He noted that it focused on better housekeeping, on more sharing of information, on encouraging contact between the different groups where it makes sense, and on better use of trustees' expertise.

Trustees commented that this seemed the right way forward and suggested the following enhancements:

- That the chairs of the country and sector committees have an away day together once every year or two to discuss issues relevant to countries and sectors.
- A regular written update on key issues from the chairs of the country committees to the Board.
- A mechanism for sharing regular information, such as the weekly 'world in pictures', with the sector advisory groups as is currently done with the country committees, to ensure they're closer to the organisation's work.

It was agreed that a plan would be put in place for the secretaries and SLT leads of the advisory groups to own in liaison with the chairs. This would observe some delineation between the country committees which report to the Board and the sector groups which report to the executive, whist ensuring appropriate crossover to enable them to work more effectively.

In terms of linking in with trustees' expertise, it was agreed that relevant SLT members would connect with relevant trustees regularly to discuss business in their sectors. It was noted that this already works well in some cases.

Overall it was agreed to keep processes as simple as possible when thinking about implementation.

9. Charities governance code Ireland: compliance record

Stephen Deuchar noted that as a charity registered in Ireland, the British Council has to document its compliance with their governance code and have the Board approve the forms annually. He also noted that this had been through the Risk Committee who were content. He asked the Board to approve the compliance record form and to delegate authority to the Audit and Risk Committee to review and approve the forms in future years on behalf of the Board.

The Board approved.

10. New Chair of the Northern Ireland Country Committee

The Chairman updated the trustees on the process for recruiting a new Chair of the Northern Ireland Committee and the panel's recommendation of Dr Katy Radford to take up the role.

The Board agreed she was an impressive candidate and gave their approval. They also asked for their thanks to be passed onto the current Chair, Alan Shannon, for his valuable contribution over the last six years.

11. Integral contract

Director Transformation noted that the paper for Board approval was not quite ready but would be circulated after the meeting. He gave the following update.

Approximately 11 front-line staff will be moving to Integral under the TUPE regulations. There are 2 separate contracts with a total of 4 uncapped indemnities which will need Board approval. The first indemnity relates to the transfer of pension rights to Integral. This is a 3 way agreement which includes the Cabinet Office. We have to indemnify the latter for if Integral fail to pay the required contributions. The following 3 liabilities relate to the standard service contract we have with integral. The indemnities cover: 1/ any liabilities arising prior to transfer, 2/ any potential future claims from staff who were in scope of TUPE but weren't transferred and were then made redundant, 3/ any employee claims associated with required "top up" payments associated with an early retirement pension in circumstances of redundancy.

These are standard clauses, apply to a small number of people and are judged low risk.

The Board noted.

12. Any other business

The Chairman noted that there would be a catch-up meeting on 21 January which would mainly focus on financial issues.

She also reminded the Board that the next Board Effectiveness Review will start in January and that the Secretary would send a note to trustees on the details.

She then thanked trustees and SLT members for all their amazingly hard work and resilience over another incredibly challenging year.

There was no other business and the meeting finished at 13.30.

There followed an in-camera session with trustees.