BRITISH COUNCIL

Board of Trustees 2nd meeting 2022

In confidence

Tuesday 29 March 2022 11.00 – 15.00

MINUTES

Trustees present
Stevie Spring (Chairman)
Mark Beddy
Stephen Deuchar
Yasmin Diamond
Tom Drew
Richard Hookway
David Lefevre
Malcolm Press
Clare Reddington
Seona Reid
Sushil Saluja
Fiona Salzen

In attendance
Scott McDonald, Chief Executive (CEO)
Richard Thomas, Chief Finance Officer (CFO)
Mark Stephens, Director Cultural Engagement
Andy Williams, Chief Operating Officer
Lloyd Anderson, Regional Head Global Network Team (items 4 & 5)
Simon Williams, Regional Head Global Network Team (items 4 & 5)
Hans Meusen, Director Strategy & Planning, Cultural Engagement (item 7)
Alison Coutts, Secretary

1. Chairman's introduction

1.1 Apologies for absence and declarations of interest

Rageh Omaar had sent apologies for his absence. There were no declarations of interest.

1.2 Minutes and matters arising

The minutes of the meeting of 22 February and of the additional meeting of 21 March were approved.

The Chairman referred to a briefing from the arts team before the meeting which some trustees had attended. She noted that it was helpful to hear about real activity on the ground and proposed a follow up briefing on education including teaching. She also suggested that in his briefings at Board meetings, the CEO includes examples of programme work to be proud of to set a better balance between internal and external work.

She noted that the vision will come back to the next board meeting as there is more work to do in response to feedback. It was agreed that this would be discussed over an informal meal the evening before the meeting.

Trustees referred to the discussion at the meeting of 21 March on the reserves policy and the organisation's inability to use reserves to fund non-ODA work over the next few years whilst it's reliant on the FCDO for a financial underpin. They agreed that this has serious implications for programmes, presence and reputation and that the strategy would be reviewed regularly, particularly when the loan has been repaid and surpluses start building up again. They also agreed that the trustees' fiduciary responsibility for the financial health of the organisation combined with less government funding for non-ODA work would be a difficult one to navigate.

2. Chief Executive's report

The Chief Executive made the following remarks.

The financial position as we close the year is approximately in line with the budget which is a good achievement considering the difficulties of the last couple of years. The budget for next year will be considered at this meeting and the aim is to reach the right balance between ambition and realism.

The team are working hard on Ukraine and doing whatever we can to support colleagues. The crisis has raised some profound questions on what our obligations are to staff and how consistent we are across the world. We will review our policy to give more clarity including on when we make exceptions and the rationale to support decision-making.

He had had a productive meeting with the management teams from IDP and Cambridge to discuss development of the IELTS partnership. Further work on options is in progress.

The FCDO has reconfirmed its previous position on China which means we may need to rethink how we operate in certain areas. Much of China is again in lockdown so there is time to work through options which will then come back to the board. There is still no answer on the spending review.

The PCS strike went ahead even though management has been acting in good faith with extensive consultation. However we have no choice but to reduce spend and see through restructuring and the reasons for this have been made clear.

Trustees asked for a short narrative on our plans for arts and cultural programmes to address concerns amongst stakeholders about the cuts. This will be provided.

3. Country closures

The CEO referred to the paper noting that the content would be familiar to trustees from previous conversations. He reminded them that last June the FCDO had given an instruction to cease using grant-in-aid in certain countries after which we had reviewed the impact. Although some operations will be served by another country in some form, others will have to be shut down which needs board approval. He noted however that the position on some country operations was still in debate so there may be some reversals. If this is the case, changes will come back to the Board.

The Board approved.

4. Network update

Lloyd Anderson and Simon Williams joined the meeting. Lloyd updated trustees as follows.

In Ukraine we have 133 country-based staff of which 47 have left Ukraine. Colleagues in neighbouring countries have given them amazing support and we are providing as much help and advice as possible. The Ben Fund is also raising money to support colleagues in Ukraine, and we have an app which all our staff are using which alerts them of risks in their immediate locality.

In Sudan, the frequency of civilian protests has been increasing which is disruptive and has often prevented us from using our office. The situation is also distressing for staff and we have offered regular counselling.

In Afghanistan almost all of the contractors who were pre-approved for relocation under the Afghan Relocations and Assistance Policy (ARAP) scheme have now left Afghanistan with their families. Between 175-200 of the remaining contractors and their families are under consideration for resettlement under the Afghan Citizens Resettlement Scheme (ACRS). The application process will be opening shortly.

5. Iran briefing

Following the welcome release and return to the UK of one of our colleagues, Simon Williams briefed trustees on the background.

6. CFO report

The CFO noted the following.

The February accounts are as expected and show us as £20m ahead of the Q3 forecast due to cost savings, below plan spend on investments and an underspend in grant though the latter will reduce by the end of the year, although we still expect an ODA underspend in 2021/22.

The budget is based on the business plan numbers for 2022/23 and has been reviewed by the finance committee. The commercial committee has reviewed the commercial assumptions and targets. The biggest risks relate to covid impact on commercial revenues, particularly in China, geopolitical risk and inflation. The biggest dependency is for the investment programme where we need to fully draw down on the restructuring loan by 31 March 2023. The biggest single risk relates to potential delays on the professional services transformation plan which has a tight timeline. However, as long as the related restructuring is announced by the end of March next year we can still use the loan. The budget includes a higher contingency, which has been increased above the level in the business plan for the above reasons. We are also doing some work on overhead allocation and are holding back on Grant in Aid spend until we know the outcome of the spending review.

The Chairs of the Finance and Commercial Committees confirmed that the budget demonstrated the right degree of ambition and realism. However, there needs to be a conversation with government about investment so access to the loan is more structured enabling us to spend it wisely.

The Board approved in principle. It will now go through further checks after which it will come back to the Board for final sign off.

7. Income generation and alternative funding

Hans Meusen joined the meeting.

The CEO introduced the session noting that in addition to English and Exams, we have at least 3 other ways of attracting funding, which include partnerships, fundraising and our commercial contracts business. The paper sets out the plan and ideas for further developing this part of our work. An earlier version was reviewed by the Commercial Committee and their main comment was that we could be more ambitious.

Director Cultural Engagement commented that we now have 15 coherent global programmes in arts and education which make it easier to engage with potential partners on a more strategic level. We have also been reviewing our models for each of the areas. For example, the contracts business margin is eroding as there are less opportunities, more competition, and the financial parameters are becoming tighter. We are therefore moving from a delegated to a centralised approach so we can make more strategic decisions on which opportunities to pursue and to have tighter management of our costs and use of resources.

We are also considering whether to continue using the same cost structure for all opportunities or move to a range of different models to provide flexibility, particularly on how the overhead is allocated. However overall the model will need to ensure we cover all costs.

Trustees noted that it would be useful to see a pipeline of the contracts business to understand the full picture and have line of sight into the market, including the financial size of bids, how many we win, reasons for losing, etc. It was agreed that management would produce this along with more data on the other areas in order to put the trustees in a better position to help and to advise on the ambitions and targets.

It was agreed that there will be a follow up session at the next board meeting.

8. Committee meeting reports

The Chairs of the Commercial, Finance and Audit & Risk Committees had shared outcomes of their meetings during previous items.

9. Any other business

The Chairman noted that the following had been tabled for Board approval:

1/ an extension to our Strategic Partnerships for Higher Education contract
2/ an unlimited indemnity related to our Nigeria Partnership for Learning for All contract.

Director Cultural Engagement summarised the main points from the papers.

The Board approved.

The Chairman noted that the next full Board meeting will be on 26 May with a dinner the evening before.

There was no other business and the meeting finished at 15.00.

There followed an in-camera session with trustees.