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The English-Speaking Union Of the Commonwealth

MINUTES of the meeting of the Board of Governors held at Dartmouth House on Thursday 21st July 2011 at 5.00pm.

Attendees

Dame Mary Richardson (Chairman), Lord Paul Boateng, Rod Chamberlain, Jon Dye, Alex Finnis, Jenni Hibbert, Richard Oldham, Colin McCorquodale, Lord Alan Watson.

In Attendance

Professor Steve Hodkinson (Secretary), Peter Kyle (Director General), Chris Margaritis.

- 1. Apologies:** Lady Boyd, Saroj Chakravarty, Steven Isserlis
- 2.** The Chairman formally welcomed Peter Kyle to his first full meeting as Director General.
- 3. Declaration of Interests:** none were declared.

4. Elections to fill casual vacancies

The Chairman introduced the item by reminding members that those elected by the Board to fill casual vacancies would hold office until the 2011 AGM when they would be required to stand for re-election. She informed the Board that all eleven nominees had been correctly proposed and seconded by members of ESU some time ago and that these were now being dealt with according to the Bye-Laws.

The following were elected after a secret ballot of those governors present.

Deputy Chairmen: Jon Dye and Sir Peter Jennings

Hon Treasurer: Alan Cox

Elected Governors: Derek Morgan, Gill Prior, Holly Shakespeare and Roger Tilbury.

Alan Cox the newly elected Hon Treasurer was invited to join the meeting.

5. Minutes of previous Board meetings

- a) The Chairman signed the Minutes of the meeting held on 17th March 2011 as a true record.
- b) Matters Arising: There were no matters arising other than those that appeared on the Board agenda.
- c) The Chairman signed the Minutes of the meeting held on 7th July as a true record.
- d) Matters arising:

DRAFT

- i) The Board confirmed its decision to draw down from reserves in order to meet the current year's projected deficit
- ii) The Board confirmed the policy of treating legacy income as capital. Whilst it was understood that legacies without restrictions on use could be used for current revenue the Board confirmed that it had not authorised the recent drawing down of legacy income.
- iii) Actum 6: Dartmouth House. The Chairman reported that she had received a letter from the Red Carnation Group (RCG) who had reluctantly withdrawn from negotiations until ESU had had an opportunity to consider how it wished to proceed in the future. RCG had also indicated its willingness to consider any proposals that ESU might wish to make in the future Rod Chamberlain then spoke to a paper he had prepared on commercial opportunities on the basis of discussions with a number of experts. They had advised that aspects of the RCG Heads of Terms offer could be improved upon but, in addition and much to his delight, they had offered two other options for the future-proofing of Dartmouth House. Both of these options, although different in character, sought to maximise the opportunity offered by Dartmouth House's location in Mayfair with its high net worth passing trade and high rental and service charges. In his view, however, neither option was realistic. A wide-ranging and positive discussion followed during which different governors provided examples of successful similar enterprises and considered the extent to which ESU and Dartmouth House could adopt similar approaches. The Director General commented that discussion of the paper had opened the debate on the future in a 'wonderfully freeing' way. He emphasised the need for any future project to put as its focus the need for ESU to have the spaces to undertake and deliver its charitable activities and for the identity of the building with ESU and its mission to remain. The Board thanked Rod Chamberlain for a stimulating addition to the options appraisal process.

The Secretary spoke to two tabled papers. The first was a preliminary analysis of the RCG Heads of Terms letter in which he had set out the financial and non-financial issues for ESU concerning the extension of a lease to include the whole of Dartmouth House for 99 years. The second paper was a cost benefit analysis which he had prepared with Stephen Richardson of Cushman and Wakefield. The analysis compared, over an 11 year period, the Heads of Terms offer with a straight rent review of the existing leases. The outcome showed that whilst in Net Present Value terms the Heads of Terms offer came out higher, the difference was narrow enough to warrant a full appraisal of the option of retaining Dartmouth House with the inclusion of a capital works programme appropriate to ESU's needs. In response to a question from Lord Watson, the Secretary clarified that Cushman and Wakefield's estimates of rent increases that would be due this year, in 2016 and in 2021 are significant and that with effective management of ESU's finances and the full use of ESU's trading arm (Dartmouth House Ltd) to generate revenue, ESU's future position was not as perilous as might have been portrayed.

The Board confirmed that it wished to continue with a full options appraisal and to instigate the overdue rent review with RCG.

DRAFT

6. Finance

Jill Lloyd and representatives of ESU's auditors Crowe Clark Whitehill (CCW) joined the meeting for this item.

- a) The auditors presented their Draft Audit Findings Report. They reported that the audit was almost finished with the principal outstanding items being completion of work on gifts in kind and the trustees' report. As the audit was not yet complete the Board would be required to sign off the required 'the business is a going concern' statement at a future date and to agree the content of the commentary to accompany the Annual Accounts. The auditors then described each section of their draft report, focussing in particular on the detail of their recommendations for the future which were contained in Appendices 2-4 of the report.

Board members unanimously welcomed the report. In response to the recommendations the Chairman and the Board expressed their determination to ensure that each recommendation would be fully considered and implemented as appropriate. The report underlined the need for a fully operational Audit Committee that would be established as soon as possible.

Of particular significance to ESU was the auditor's advice that some £700,000 should be included in the 2010-11 accounts and in the previous year's accounts to demonstrate the gifts in kind that are generated through the UK branch network. Led by the Chairman, the Board expressed its delight at this development because it demonstrated in a very tangible way the contribution by, and value of, the Branches to ESU's mission.

CCW were thanked for their impressive presentation and for their time and support at a time of internal changes within ESU. The Board also thanked Jon Dye for all the work he had undertaken to support the audit process.

- b) An updated budget through to September 2011 was tabled and described as work in progress. In receiving it the Board confirmed that when it was next presented it must be a balanced budget since the Board would not agree to further withdrawals from the reserves. The Budget was referred to the Director General and the Hon Treasurer for further work. The Board recognised that the Director General had difficult decisions to make and had their full support in that process.

Jon Dye reported that some of the agreed draw down of reserves had taken place and that would give breathing space for the Director General to act. He also reported that external expert opinion had been sought in regard to partial exemption for VAT purposes and that work should be completed in time for the end of July sign off.

- c) The Management Accounts for the first three months were presented by Jill Lloyd. She identified the performance of the Dartmouth House catering contract as the main concern. Overall Dartmouth House income was falling below last year's comparable figures. Weddings are the largest source of income but none were booked for July but there were bookings for September. Her estimate was that the expenditure was exceeding revenue by approximately £60,000 each quarter, although there were timing differences between income and expenditure.

DRAFT

The Director General commented that there was no denying the challenges ahead and that there was limited capacity to effect major change in the remaining months of the financial year. He reported on outstanding invoices received from Geldards and Cushman and Wakefield. He said that significant changes were needed in financial reporting and that the reports received by the Board were inadequate. Many areas in addition to the financial situation needed urgent attention including the interface with members and how Dartmouth House staff serviced the membership at large.

7. Elections for 2011 AGM

The Secretary informed the Board that all members would be informed of the procedure for nominations to the Board for election at the AGM. He reported that four current members would retire under the 6 year rule, that those elected to fill casual vacancies would be required to stand for re-election and that in total there would be some twenty governor vacancies. The Chairman reported on discussions she had held with NCEW that afternoon in which she had asked NCEW to consult with members in branches so as to ensure that the Board could recruit governors with the skills and expertise that it needed. She also said that she would speak further on this at the Branches Conference.

8. Committees and Working Groups

- a) The Secretary reported that the Chairman and Director General had been appointed as Directors of Dartmouth House Ltd.
- b) The Minutes of the P and R Committee were taken as read.
- c) The Board noted that the Hon Officers would consider the committee structure, terms of reference and membership and report back to the Board.

9. Director General's Report

The report was received by the Board and the Director General was thanked for doing this in the short time he had been at ESU. For his part he said that his report as presented was not in as acceptable a form as he would have wished and that future reports would be presented differently.

10. Roles of Honorary Officers and Board Members

The Board received drafts of the roles of Deputy Chairmen and Board members and was asked for their comments to be sent to the Chairman. The Chairman reported that a Governors' handbook was being prepared which would be sent by e mail to board members and updated from time to time. Governor training and 'planning' days would also be introduced. Dame Mary reported that she would be attaching individual governors to branches so that there was a direct link between the Board and Branches. She hoped that governors would give talks and hold 'clinics' for members.

11. The Churchill Lecture

It was agreed that the Churchill Lecture would not take place in 2011 and that a complete rethink on format and timing was needed as well as sponsorship. This would be considered further in September.

DRAFT

The Director General would be looking for immediate cost-cutting actions and NCEW support would be vital in this. In this regard the September issue of Dialogue would not be produced.

12. Chairman's Items

Dame Mary emphasised the need fully to utilise the resources provided through the Royal Charter. It provides, for example, for the appointment of two Hon Treasurers. There was provision also for two deputy and four vice presidents and there was the need to fill the Royal post of president. She would, therefore, be looking to appoint a Nominations Committee to work on filling these posts.

Dame Mary pointed to the urgent need to consider legacy nurturing and to the proactive use of the title of ESU Counsellor as a lifetime achievement award for service to ESU. She wanted to instigate an Awards Evening with dinner at which ESU could celebrate the achievement of its members and a possible new role of ambassador.

13. Other Items

Richard Oldham invited all governors to attend the Branches Conference in Cheltenham in October.

The Director General reported that a joint dinner would be held at Dartmouth House on 10th August for delegates of the International relations Conference, Mansfield College, Oxford and the Shakespeare Seminar delegates.

Dame Mary thanked all members of the Board for their help. She also thanked Branch members who had given generously of their expertise since her appointment.

14. Date of next meeting

It was agreed to hold an additional meeting of the Board on 29th September at 5.00pm at which the Annual Report and Accounts would be signed off by the Board.