



House of Commons
Public Accounts Committee

British Council: Achieving Impact

Fifty–sixth Report of Session 2007–08

*Report, together with formal minutes, oral and
written evidence*

*Ordered by The House of Commons
to be printed 17 November 2008*

HC 814

Published on 11 December 2008
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The Public Accounts Committee

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

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Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Mark Etherton (Clerk), Emma Sawyer (Senior Committee Assistant), Pam Morris (Committee Assistant), Jane Lauder (Committee Assistant) and Alex Paterson (Media Officer).

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Contents

Report	<i>Page</i>
Summary	3
Conclusions and recommendations	5
1 Working with whole societies	7
2 Making the best use of its resources	10
3 Promoting consistency across the network	13
Formal Minutes	15
Witnesses	16
List of written evidence	16
List of Reports from the Committee of Public Accounts 2007–08	17

Summary

The British Council (the Council) is a Registered Charity, an executive Non-Departmental Public Body and a Public Corporation. It aims to build relationships between people in the UK and other countries, and to increase the appreciation of the UK's creative ideas and learning opportunities, through, for example, teaching English, administering examinations and running cultural projects. It is a globally dispersed organisation, operating in some 110 countries, and directly engages with over 15 million people a year worldwide.

The Council's model for teaching English overseas is based largely on direct teaching by native English speakers, principally in capital cities. It charges premium prices, which restricts its reach to those who can afford its courses. The Council has been slow to develop alternative models, such as partnership working and franchising. It is seeking to employ more teachers for whom English is a second language to help it meet rising demand, and also plans to expand its non-direct teaching to broaden its reach. While the Council is focusing on people who it expects may reach positions of influence in the future, it also runs programmes, such as its School Links project, to work with a wider cross section of society. It does valuable work to sustain relationships in difficult places such as Burma and Zimbabwe.

The Council is moving resources out of Europe and towards the Middle East and Asia, in line with UK international priorities. This has involved closing offices and reducing staff in Europe, and has impacted negatively on staff morale. The Council is also moving from local, country specific projects to larger, regional projects. While it is too early to properly evaluate this shift, there are some indications that regional projects are having a greater impact. The move to regional projects is, however, a factor in the Council's worrying decline in income from sponsorship and partners, which has fallen for seven consecutive years.

The Council is seeing increasing competition in its examinations and teaching work. In India, it has lost two thirds of its market share in the International English Language Testing System since 2002. It is also working with the Foreign and Commonwealth Office, which provides most of the Council's grant funding, to try and increase the number of overseas students coming to study in UK higher and further education institutions.

In order to try and improve consistency, the Council is moving from 110 separate country operations to management through 12 Regional Directors. Its performance measurement, while generally of a good standard, is not applied in the same way in all regions. Its customer service standards have been low and also vary by region. The Council does not have a single integrated system for logging and managing its customer relationships, but has avoided the temptation to spend money on an IT solution before the problem has been adequately defined.

On the basis of a Report by the Comptroller and Auditor General,¹ we took evidence from the British Council and the Foreign and Commonwealth Office on the Council's efforts to work with whole societies, how it makes the best use of resources, and its drive to increase consistency across the network.

Conclusions and recommendations

- 1. We congratulate the British Council for its achievements in promoting the English language and culture overseas, sometimes in difficult conditions.** The Committee noted that the British Council is a valued and valuable organisation and thanked the Council's staff for their hard work.
- 2. The Council's English language teaching operations are an important means of promoting English language and culture overseas. However, the Council's current teaching model, based on premium prices and concentrated mainly in capital cities, severely restricts its reach.** The Council should implement lower cost and more flexible teaching operations without further delay, in order to broaden its reach beyond people able to afford its current premium prices. It must strive to be genuinely inclusive when forging links between people and organisations overseas, and in the UK.
- 3. The Council's programme of change has had negative effects on its staff and their view of the Council's leadership.** It is right that the Council should move its resources to better meet strategic priorities and changing demand. In doing so, however, the Council should identify ways to better communicate with, and listen to the views of, Council staff.
- 4. The Council currently has no single customer relationship management system, but we welcomed their decision to minimise expenditure on a technical solution while the detailed specification was still unclear.** The Council needs to move as quickly as possible to a single record of its customers that all its businesses can use. In considering the way forward it should not exclude the possibility of simple templates based on its standard office software.
- 5. The British Council's sponsorship and partner income has fallen year on year since 2000–01.** The Council should do more to reverse this worrying decline, especially if it is to achieve its ambitious target of an annual 12% rise in income over the next three years. In particular, it must reinforce the consistent application of its sponsorship strategy across its Country network and put more effort into involving UK and Overseas Companies during the development of its new regional projects.
- 6. The Council has pockets of good practice, but there is a lack of consistency across the network.** The move to regionalisation should help to improve the spread of good practice across the Council. Regional directors should be the link between the corporate centre and the Region, and should be held accountable for the performance of their regions, enforced through their performance appraisals.

1 Working with whole societies

1. The British Council (the Council) is a Registered Charity, an executive Non-Departmental Public Body and a Public Corporation. It aims to build mutually beneficial, lasting relationships between people in the UK and other countries, and to increase the appreciation of the UK's creative ideas and learning opportunities. It operates in 110 countries and directly engages with over 15 million people a year, by, for example, teaching English, administering exams and running cultural projects.²

2. The Council's widespread global presence requires it to prioritise working with some groups of people. We were concerned, however, that the Council tended to disproportionately focus its efforts on foreign elites, both in the way it defines its target groups and in its delivery of English language teaching. The Council has traditionally charged premium prices for its English language teaching, and after a period in which closures have exceeded openings, it has few teaching centres outside of overseas capital cities. This model has limited the Council's reach and restricted take up to those who could afford their prices.³

3. The Council is looking at ways of delivering English language teaching more flexibly and at a lower cost. For example, partnerships with schools or universities, currently used by the Council in Hong Kong and Madrid, offer greater access for learners and with no building costs to the Council.⁴ The Council is also exploring the use of franchising and partner premises to teach outside capital centres. It has, however, been slow to put these alternative, more flexible models into effect.⁵

4. While the Council delivers English Language teaching directly to 300,000 learners in over 50 countries, it estimates that there are over one billion people in the world wanting to learn English.⁶ Face-to-face teaching can only reach a small proportion of the mass market. The Council is, therefore, developing ways to expand its reach in other ways. For example, it is providing tuition over mobile phones in China. The Council is also building on its existing network of teaching centres to provide support to the teaching of English within the host country's public education system, and so reach a wider range of people. For example, it is working with the Yemeni Government on curriculum reform, and the West Bengal Government to help provide English in secondary schools. Each month, over one million users download three million pages of English language support work from the Council's internet site, such as lesson plans and teacher support via its website.⁷

5. Out of 1,800 British Council teachers, only 80, or 4%, speak English as a second language. In some centres, the Council regards the use of native speaking English teachers as a unique selling point. In order to meet rising demand for English teaching, however,

2 Q 4; C&AG's Report, Summary, para 1

3 Qq 6, 10–11

4 Qq 6, 10, 19

5 Q 6

6 Qq 2, 15

7 Qq 2, 27, 99

the Council is aiming to increase its use of suitably qualified second language speakers. In common with its competitors, it does not expect to charge the public less for teaching by such speakers.⁸

6. The Council's English Language teaching and exams operation generates a surplus of over £10 million per year. Most of this surplus is, however, generated by just five centres. A small part of this surplus from profitable teaching centres, (some £0.6 million in 2006–07) is used to subsidise ten loss making Mission Critical centres. 'Mission critical' teaching centres operate at the margins of profitability, but the Council sees them as having a large impact on public diplomacy and cultural relations. Since 2005, the Council has closed 12 teaching centres (**Figure 1**), including some which were making a loss or which were regarded as not contributing sufficiently to the UK's cultural presence in that country⁹ The Council is planning to substantially expand its teaching operations through opening new centres, for example, in China and India.¹⁰ New centres should cover their costs and make a contribution to the UK's international relationships. The Council will not open a teaching centre which does not help meet their public diplomacy objectives.¹¹

Figure 1: Teaching centres closed since 2005

YEAR	CENTRES CLOSED	COUNCIL'S REASON
2005–06	Nagoya and Kyoto, Japan Bologna, Italy Varna, Bulgaria Kosice, Slovakia Chittagong, Bangladesh	As part of a review of teaching operations which were neither delivering strategic impact nor financial returns
	Dammam Men's Centre in Saudi Arabia	Closed on security grounds (the Women's Centre is still open, and the Council is maintaining Women's and Men's operations in Riyadh and Jeddah)
	St. Petersburg, Russia	External pressure
2006–07	Tel Aviv, Israel	Delivering neither impact nor financial returns. The British Council refocused on its wider work in English through regional projects and networks
	Istanbul, Turkey	Security grounds
	Moscow, Russia	External pressure
2007–08	Budapest, Hungary	Delivering neither impact nor financial returns, but the Council is strengthening its wider work in English in Hungary and North & Central Europe
	Baku, Azerbaijan	Following the loss of a business-critical corporate contract. The Council is strengthening its overall English programme within the region

Source: Ev 17–18

8 Qq 49–50

9 Qq 64, 80–81, C&AG's Report, para 2.25

10 Qq 25–26

11 Qq 12–26, 32

7. The Council has identified three main target audiences. These are high level decision-makers, key influencers and people with potential.¹² While the Council admits that it is seeking to focus its resources on those who are going to have influence in the future, it stressed the importance of being able to find those people across a broad range of societies.¹³ Programmes such as education promotion, education management and school links are designed to reach a much wider section of society than the Council's current model of English language teaching. For example, the Council's Connecting Classrooms project links schools in the UK with schools overseas. Over the next five years, the Council intends to offer every school in England a place on this programme.¹⁴

8. The Council does important work in countries widely accepted to have repressive regimes. These countries present particular challenges to the ways in which the Council can operate. In Burma, for example, some 70,000 people a year use the Council's facilities, especially its library service. In Zimbabwe, around 50,000–60,000 people per year visit the Council's offices in Harare and Bulawayo, where the Council's aim is to provide support and assistance to young professionals who wish to stay and work in Zimbabwe.¹⁵

12 C&AG's Report, para 2.2

13 Qq 85, 100

14 Qq 100, 107

15 Q 94

2 Making the best use of its resources

9. The Council is flexible in moving its resources, both between countries and within its own organisation. It is currently shifting resources away from Europe and into the Islamic world, Indian subcontinent and the Far East (**Figure 2**). The budget for the Middle East region grew from £3.2 million in 2000–01 to £10 million in 2007–08, an increase of over 300%. To achieve this rapid shift, the Council has had to expand its operations in priority countries by recruiting staff and scaling up its existing programmes, as well as developing new ones.¹⁶

Figure 2: The changing geographical allocation of British Council's resources

British Council Regions	2000-01	2006-07	2008-09	Net movement	
	£m	£m	£m	£m	
West Europe & Americas	14.7	13.4	11.4	-3.4	↓
North & Central Europe	10.8	10.5	8.5	-2.4	↓
East Asia	13.7	11.9	12.2	-1.5	↓
Russia	3.7	5.2	2.3	-1.4	↓
Latin America	8.5	8.2	8.5	0.0	↔
South East Europe	9.5	14	12.4	2.9	↑
China & Hong Kong	6.1	5.6	9.0	2.9	↑
India & Sri Lanka	4	5.8	7.4	3.4	↑
Southern Africa	4.7	6.3	8.1	3.4	↑
East & West Africa	7.2	10.8	11.9	4.7	↑
Middle East	3.2	7.1	10.0	6.8	↑
Near East & North Africa	4.5	7	11.9	7.4	↑
Central & Southern Asia	2.7	5.5	10.5	7.8	↑
Total	93.3	111.3	124.1	30.8	

Source: C&AG's Report, Appendix 2, Figure 15

10. The reduction of resources in Europe has also involved closing offices and moving away from a local public presence, except where this is funded by the public. Over the last eight years, the Council has reduced its presence in Germany from seven regional offices to one, based in Berlin, which is a back office only. There has been a corresponding reduction in staff numbers across Europe. Such changes could go some way to explain worrying results from a 2006–07 survey of British Council staff which found that staff were critical of Council leadership.¹⁷

11. The Council is moving from delivering locally tailored, country-specific projects across 110 countries, to larger projects built around 12 regions. The purpose of this shift towards regional projects is to improve efficiency and effectiveness by reducing duplication of effort and generating larger impact through bigger projects. For example, by changing

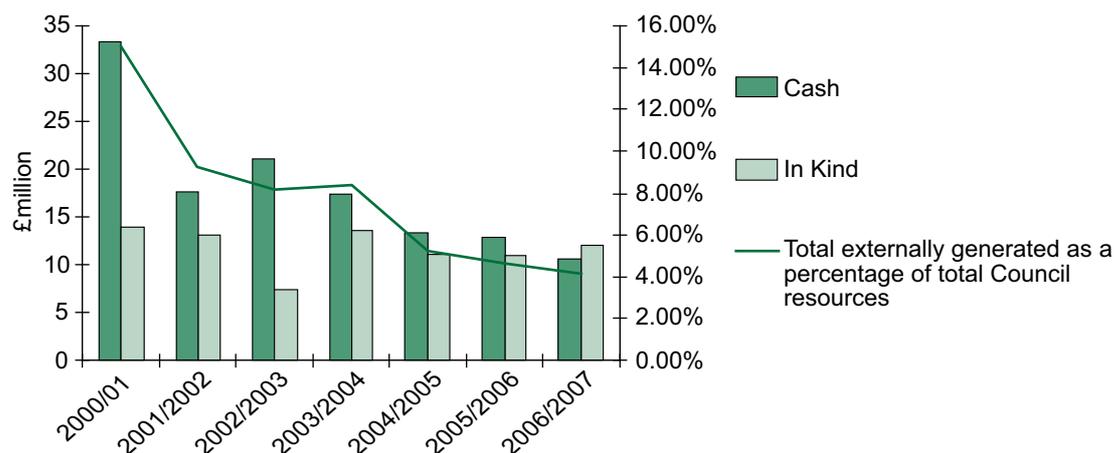
¹⁶ Qq 34–37, 65

¹⁷ Q 8; C&AG's Report, Figure 12

Interaction, an African leadership project, from a country-specific project to a Regional programme, costs per trainee have halved from £8,000 to £4,000.¹⁸ Improved controls should also prevent major expenditure on projects before they are formally approved and still at risk of being cancelled.¹⁹ While it is still too early to evaluate fully the impact of the move to regional projects, the Council's end of year performance measurement system for 2007–08 has indicated that there is a statistically significant improvement in the effectiveness of regional programmes compared to those run at a country level.²⁰ There remains, however, a risk that the Council could jeopardise local contacts by rolling out standard regional products which are not sufficiently tailored to local circumstances.²¹

12. The Council has seen a worrying decline in income from external sponsorship and commercial partnerships over the last seven years (**Figure 3**). Traditionally, large-scale, country-specific arts projects were major recipients of sponsorship and, by moving away from large programmes in individual countries, the Council has to find new ways to generate sponsorship.²² Large scale regional programmes do have the potential to attract major sponsors. For example, the UK-India Education Research Initiative has generated around £1.8 million per year from commercial donors.²³

Figure 3: The British Council's income from sponsorship and commercial partnerships



Source: C&AG's Report, Figure 7

13. The Council has also failed to maximise sponsorship opportunities when they arose. For example, in 2006, it cancelled four out of eight performances of 'A Midsummer Night's Dream' in India due to a lack of sponsorship. The Council appears to have learnt from this experience; in January 2008 it took the production back to India and achieved over £300,000 of sponsorship income.²⁴

18 Qq 5, 53, 86

19 Q 45

20 Q 53

21 Q 5

22 Qq 7, 88

23 Q 7; India and Sri Lanka form one of the British Council's 12 Regions

24 Qq 46–48

14. In its latest Corporate Plan, the Council has outlined its plans to increase sponsorship by an ambitious 12% per year over the next three years. It has expanded its corporate sponsorship department in London and will be carrying out more work directly with company headquarters to secure funding on the necessary scale. It will be a challenge to reverse the prevailing downwards trend in sponsorship income over such a short timescale. In mid-2007, the Council developed a policy on acceptable sponsorship. For example, it will not accept sponsorship from drink or tobacco companies, but it will accept sponsorship from energy companies for projects related to the environment. However, the Council has not yet enforced the policy in a consistent manner across all regions.²⁵

15. The Council has witnessed challenges to its market share of the International English Language Testing System (IELTS) examinations in India, as well as facing more intense competition from new entrants to the teaching market, and in attracting Higher and Further Education students. In India, between 2002 and 2007, the Council lost two-thirds of its market share in IELTS to a single competitor, although the total number of exams it provided grew over the same period due to an explosion of demand for English examinations in India. The Council conceded that its competitor had responded more rapidly to this opportunity. Globally, however, the Council still delivers two-thirds of the total IELTS market and its examinations work is profitable in most of its teaching centres.²⁶

16. The Council works with Higher and Further Education institutions in the UK to attract overseas students to study at UK institutions. The UK's competitors in attracting foreign students vary by county, but its main challengers are the United States and Australia and, more recently, France and Germany, both of which offer University courses taught in English.²⁷ While the overall size of the market is growing, so too is the competition, with France and Germany both creating organisations specifically to market their education overseas. The Council believes that the UK's share of the total overseas student market has remained static, if not slightly decreased, given increasing competition. The Council is working with the Foreign and Commonwealth Office on the Prime Minister's Initiative, which aims to develop links to attract students to the UK, provide British courses in universities overseas and persuade British students to consider studying overseas, so improving our trans-national links.²⁸

25 Qq 43–44

26 Qq 62–64

27 Q 110

28 Qq 111–112

3 Promoting consistency across the network

17. While the Council has pockets of excellence, it agreed with the National Audit Office's findings that it has problems in ensuring consistent standards across its global network.²⁹ To help address this problem, the Council has reorganised its business from 110 disparate country operations into 12 regions. The corporate centre in London now has dealings with 12 regions, rather than 110 countries. Each region is headed by a Regional Director who is responsible for ensuring that corporate policies are consistently applied and that each country within the region delivers against the set programmes. The Council has also introduced a new agreement between the Regional Director and the corporate centre, which sets out the contribution that each region is expected to make towards the delivery of the Council's corporate outcomes.³⁰

18. While the move from countries to regions is starting to improve consistency, the Council's tools for assessing performance are not applied in the same way across all Regions. The Council measures customer feedback after some of its events, but staff have wide discretion over which events to obtain feedback. To prevent bias in the measurement process, in most cases, the Council decides before the event whether to collect customer feedback.³¹

19. Customer evaluation is, however, only one of the ways in which the Council attempts to evaluate its work. It collects customer satisfaction data through, for example, its teaching and examinations business, and uses an Evaluations of Long-Term Outcomes (ELTOS) to collect information on the broader impact of the Council's work. The ELTOS programme is run by an external survey organisation so as not to influence responses. The Council is also working with the Foreign and Commonwealth Office on how to better measure the impact of its work on public diplomacy. In this difficult to measure area, the Council is generally regarded as being ahead of comparator organisations from other countries.³²

20. In a customer-facing organisation such as the Council, which has contact with over 15 million people per year, it is important for it to be able to manage and track its customer contacts and deliver good customer service standards. The Council has a target of answering all emails within seven days and all telephone calls within two minutes. It estimates that it is only meeting these standards in around three-quarters of customer contacts, and is not meeting them consistently across its network. In the last year, only 10 out of 12 regions improved their customer satisfaction scores. The Council looks to its Regional Directors to raise customer service standards across their region. For example, the Middle East Region has put in place Customer Service Managers in each office and is running a Customer Service Excellence Project. The Council is also moving from an annual to a quarterly 'mystery shopping' survey to identify earlier those regions which are

29 Q 43

30 Qq 43, 55

31 Qq 66–67, C&AG's Report, paras 3.10–3.11

32 Qq 66–67, C&AG's Report, paras 3.2–3.3

not meeting their targets. Once the Council has achieved a consistent level of satisfaction across all 12 regions, it will then concentrate on raising overall standards.³³

21. The Council does not have a single, integrated system for recording its customer contact information. In order to measure how many new contacts it had made in a year, it would have to interrogate multiple systems, mainly at the country level.³⁴ The Council has a customer relationship management project to investigate a global solution, but this is currently two years behind schedule. The delay is partly due to the complexity and scale of developing a global system which can collate customer contact details across 110 countries, and partly from the Council being understandably reluctant to commission an IT solution until they have a clear specification.³⁵

22. The Council has so far spent around £300,000 on its customer relationship management project, but is prudent in being unwilling to commit further funds to develop an IT solution until the technical specification has been adequately defined. The Council is running pilot programmes in China and Europe to investigate how it could deliver a joined-up customer relationship management system and to define its requirements, such as the type of information the Council will need to collect on its customers, and what is the most effective way of keeping in touch with its different types of customers.³⁶

23. The Council admitted that some staff were becoming frustrated with the slow pace of change. The risk in further delaying an integrated customer relationship management system is that countries and regions may start to develop their own systems, which must then be integrated into a corporate solution, once this has been developed. The Council is relying on its Regional Directors to engage with corporate programmes, and pointed to its IT controls which manage the creation of ad hoc new database systems.³⁷

33 Qq 58, 70–72

34 Q 59

35 Qq 60, 135

36 Qq 60, 135

37 Q 61

Formal Minutes

Monday 17 November 2008

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon

Mr Nigel Griffiths

Mr David Curry

Keith Hill

Draft Report (*British Council: Achieving Impact*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 23 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Fifty-sixth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Wednesday 19 November at 3.30 pm.]

Witnesses

Monday 23 June 2008

Page

Martin Davidson CMG, Chief Executive and **Rob Lynes**, Regional Director for the Middle East, British Council, and **Keith Luck**, Director-General of Finance, Foreign and Commonwealth Office

Ev 1

List of written evidence

British Council

Ev 17

List of Reports from the Committee of Public Accounts 2007–08

First Report	Department for International Development: Tackling rural poverty in developing countries	HC 172 (Cm 7323)
Second Report	Department of Health: Prescribing costs in primary care	HC 173 (Cm 7323)
Third Report	Building for the future: Sustainable construction and refurbishment on the government estate	HC 174 (Cm 7323)
Fourth Report	Environment Agency: Building and maintaining river and coastal flood defences in England	HC 175 (Cm 7323)
Fifth Report	Evasion of Vehicle Excise Duty	HC 227 (Cm 7323)
Sixth Report	Department of Health: Improving Services and Support for People with Dementia	HC 228 (Cm 7323)
Seventh Report	Excess Votes 2006–07	HC 299
Eighth Report	Tax Credits and PAYE	HC 300 (Cm 7365)
Ninth Report	Helping people from workless households into work	HC 301 (Cm 7364)
Tenth Report	Staying the course: the retention of students on higher education courses	HC 322 (Cm 7364)
Eleventh Report	The compensation scheme for former Icelandic water trawlermen	HC 71 (Cm 7364)
Twelfth Report	Coal Health Compensation Schemes	HC 305 (Cm 7364)
Thirteenth Report	Sustainable employment: supporting people to stay in work and advance	HC 131 (Cm 7364)
Fourteenth Report	The budget for the London 2012 Olympic and Paralympic Games	HC 85 (Cm 7365)
Fifteenth Report	The Pensions Regulator: Progress in establishing its new regulatory arrangements	HC 122 (Cm 7365)
Sixteenth Report	Government on the Internet: Progress in delivering information and services online	HC 143 (Cm 7366)
Seventeenth Report	Foreign and Commonwealth Office: Managing Risk in the Overseas Territories	HC 176 (Cm 7366)
Eighteenth Report	Improving corporate functions using shared services	HC 190 (Cm 7366)
Nineteenth Report	BBC Procurement	HC 221 (Cm 7366)
Twentieth Report	HM Revenue & Customs: Helping individuals understand and complete their tax forms	HC 47 (Cm 7366)
Twenty-first Report	The Carbon Trust: Accelerating the move to a low carbon economy	HC 157 (Cm 7366)
Twenty-second Report	Improving the efficiency of central government's use of office property	HC 229 (Cm 7366)
Twenty-third Report	Report on the NHS Summarised Accounts, 2006–07: Achieving financial balance	HC 267 (Cm 7453)
Twenty-fourth Report	The privatisation of QinetiQ	HC 151 (Cm 7453)
Twenty-fifth Report	The cancellation of Bicester Accommodation Centre	HC 316 (Cm 7453)
Twenty-sixth Report	Caring for Vulnerable Babies: The reorganisation of neonatal services in England	HC 390 (Cm 7453)
Twenty-seventh Report	DFID: Providing budget support to developing countries	HC 395 (Cm 7453)
Twenty-eighth Report	Government preparations for digital switchover	HC 416 (Cm 7453)
Twenty-ninth Report	A progress update in resolving the difficulties in administering the single payment scheme in England	HC 285 (Cm 7453)
Thirtieth Report	Management of large business Corporation Tax	HC 302
Thirty-first Report	Progress in Tackling Benefit Fraud	HC 323 (Cm 7453)
Thirty-second Report	Reducing the cost of complying with regulations: The delivery of the Administrative Burdens Reduction Programme, 2007	HC 363 (Cm 7453)
Thirty-third Report	Ministry of Defence: Major Projects Report 2007	HC 433 (Cm 7453)
Thirty-fourth Report	Increasing employment rates for ethnic minorities	HC 472 (Cm 7453)
Thirty-fifth Report	Housing Market Renewal: Pathfinders	HC 106 (Cm 7453)
Thirty-sixth Report	HM Treasury: Making Changes in Operational PFI Projects	HC 332 (Cm 7493)
Thirty-seventh Report	Ministry of Defence: Leaving the Services	HC 351 (Cm 7453)
Thirty-eighth Report	Nuclear Decommissioning Authority—Taking forward decommissioning	HC 370 (Cm 7453)

Thirty-ninth Report	Preparing to deliver the 14–19 education reforms in England	HC 413
Fortieth Report	Department of Environment, Food and Rural Affairs: Management of Expenditure	HC 447 (Cm7493)
Forty-first Report	Department of Health: NHS Pay Modernisation: New contracts for General Practice services in England	HC 463
Forty-second Report	Preparing for sporting success at the London 2012 Olympic and Paralympic Games and beyond	HC 477 (Cm 7453)
Forty-third Report	Managing financial resources to deliver better public services	HC 519 (Cm 7493)
Forty-fourth Report	The roll-out of the Jobcentre Plus office network	HC 532 (Cm 7493)
Forty-fifth Report	Reducing the risk of violent crime	HC 546
Forty-sixth Report	The procurement of the National Roads Telecommunications Services	HC 558
Forty-seventh Report	Meeting needs? The Offenders' Learning and Skills Service	HC 584
Forty-eighth Report	The supervision of community orders in England and Wales	HC 508
Forty-ninth Report	Making grants efficiently in the culture, media and sport sector	HC 641
Fiftieth Report	Preparations for the London 2012 Olympic and Paralympic Games	HC 890 (Cm 7453)
Fifty-first Report	Revenue and Customs Prosecutions Office	HC 601
Fifty-second Report	Protecting consumers? Removing price controls	HC 571
Fifty-third Report	Reducing passenger rail delays by better management of incidents	HC 655
Fifty-fourth Report	Compensating victims of violent crime	HC 251
Fifty-fifth Report	HMRC: Tackling the hidden economy	HC 712
Fifty-sixth Report	British Council: Achieving Impact	HC 814
First Special Report	The BBC's management of risk	HC 518 (Cm 7366)
Second Special Report	Evasion of Vehicle Excise Duty	HC 557 (Cm 7366)
Third Special Report	BBC Procurement: The BBC Trust's response	HC 1118

Oral evidence

Taken before the Committee of Public Accounts

on Monday 23 June 2008

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Paul Burstow
Mr Ian Davidson
Mr Philip Dunne

Mr Austin Mitchell
Geraldine Smith
Mr Don Touhig

Mr Tim Burr, Comptroller and Auditor General, **Jim Rickleton**, Assistant Auditor General and **Tim Banfield**, Director, National Audit Office, were in attendance.

Mr Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, was in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

THE BRITISH COUNCIL: ACHIEVING IMPACT (HC 625)

Witnesses: **Mr Martin Davidson CMG**, Chief Executive and **Mr Rob Lynes**, Regional Director for the Middle East, the British Council; and **Mr Keith Luck**, Director-General of Finance, Foreign and Commonwealth Office, gave evidence.

Q1 Chairman: Good afternoon and welcome to the Committee of Public Accounts where today we are considering the Comptroller and Auditor General's Report on the British Council. We welcome from the British Council Martin Davidson and Rob Lynes, and Keith Luck from the Foreign and Commonwealth Office which provides most of the Council's public funding. Mr Davidson, I would say generally it is a good Report.

Mr Davidson: Thank you, Chairman.

Q2 Chairman: Clearly we would value the work which the Council does around the world. You have an advantage because there is an insatiable appetite around the world to learn English; it is the leading business language. How much added value do you add? How much work do you do which could be done perfectly adequately by the private sector?

Mr Davidson: As you say, we do have this enormous advantage over our counterparts from other countries. The French and the Germans are essentially using language as a means of expressing their culture, whereas for the UK the English language is almost a commodity language which everybody wants to learn. I think we add value in perhaps two particularly important ways: one is we are delivering English language directly to 300,000 learners in over 50 countries. If you compare that with our leading commercial competitors: for example, Bell International delivers their English language teaching in 13 countries; International House delivers it in nine countries; and our principal American competitor, the Wall Street Institute, delivers in 27 countries. So we are more widely spread and we are delivering it into a whole range of countries where there are not large-scale resources and it is not simply a game for the rich people. Out of our English language teaching we are also making

particular emphasis on providing support to teaching of English within the public education system. We are providing support to teachers' associations; we are providing lesson plans and other teacher support on the internet which teachers are able to download; and we have about one million users a month who take three million pages of English language support work out of our internet site. It is about delivery of direct teaching to a relatively small number, but also providing support to the English language learning for a much wider number.

Q3 Chairman: What I was hoping you were going to say to me also is that we are not just teaching language, we are not just a commercial operation, we are instilling interest in British culture, tradition and values and all the rest of it?

Mr Davidson: That is absolutely the case.

Q4 Chairman: What do you do to add value as far as the British taxpayer is concerned in spreading the good name of Britain abroad, and not just teaching the English language?

Mr Davidson: What English language provides is, first of all, a presence in a range of countries where we would not otherwise be present; but on the back of that, of course, we are delivering a whole set of other services, including information services, education support services. We are working with organisations in different countries, principally public organisations, on things like education reform. We are also looking at a range of issues around good governance—working with authorities on the development of support for civil society; but, most importantly, we are dealing with a very large number of people. We have direct engagement with over 15 million people a year. We have reach to a

further 112 million, all of whom are getting access to information, knowledge and understanding about the UK.

Q5 Chairman: We read in paragraph 2.16 that you are moving to regional projects. There does not seem to be any systematic evaluation of this. Is there not a risk that you might lose local contacts?

Mr Davidson: The purpose of the move towards regional programmes is really twofold: one is to improve efficiency; and the other one is to improve effectiveness. The first thing is that, as an organisation we have traditionally built our programmes around the 110 countries and that means there is regular duplication of effort. The move towards regional programmes is to try and drive that duplication out of the system. For example, our Interaction programme in Africa, by moving from a country focus programme towards a regional one, we have taken the unit cost per trainee from £8,000 per person down to £4,000 per person. Also, obviously the big issue for us is about effectiveness. While it is early days, I think there are good signs that through our performance management systems we are seeing that the large-scale regional programmes are getting greater impact than our local programmes. The great trick for us—and you are quite right that our focus must remain local—is to develop programmes at a regional level but apply them locally in a way which as far as the end user is concerned is focused on their specific and personal needs.

Q6 Chairman: In paragraph 2.34 we see ideas developing for having lower cost teaching. These are not particularly innovative ideas. Why has it taken them so long to roll-out?

Mr Davidson: If I could, I would ask Mr Lynes who has direct control of some of these programmes. We have had a traditional method of delivering English language teaching. Really over the last 18 months or so we are looking to find ways of doing it differently. Perhaps, Mr Lynes, you could give a view of what we are doing in your region.

Mr Lynes: Chairman, in some ways some of the suggestions in the Report are not innovative, but we have been working in partnerships in a lot of our centres around the world, for example in Hong Kong and Madrid, where we teach out of schools or universities, and we are expanding that now, for example, in the region I look after in the Middle East. The benefits of that are: greater access for learners; but also a lower cost in terms that there is no capital expenditure in buildings. However, the Report from KPMG actually looked at other models of operation, possibly in the area of franchising through a trading arm or joint ventures. So partnerships are certainly an area we will continue to expand. We are looking at further models which will be quite innovative.

Q7 Chairman: It is quite important that you get contributions from third parties. If we look at figure 7, which you can read on page 15, you see that actually between 2001 and 2007 there is a worrying

decline in income from sponsorship and commercial partnerships. Why is that and what are you doing about it?

Mr Davidson: I accept that it is a worrying decline. I perhaps should say that 2000 and 2001 was a slightly unusual year being both the Millennium and the year when we had a very major programme of sponsorship of activity in China; but over the last five or six years we have averaged about £28 million in sponsorship. In our recently published corporate plan we intend to increase our sponsorship by 12% per year over the coming three years, which should bring us back up to broadly where we were at its peak. We are also looking at ways in which we can develop an additional set of programmes which will take it beyond that. I think the reason why perhaps we have allowed this to slip has been the move towards regional programmes and away from some of the very large-scale arts programmes at a country level which have largely been the major recipients of sponsorship; but we already have signs, through our UK-India Education Research Initiative where we are getting significant commercial sponsorship, about £1.8 million a year,¹ the large-scale regional programmes do have the opportunity to attract the sponsorship that we are looking for.

Q8 Chairman: You had a staff survey, and we can read about that in figure 12, page 24. It is not a bad survey except where you are weakest is what your staff think about you—the leadership that you and your senior managers provide. Why is that, do you think?

Mr Davidson: We have taken our staff through a very significant set of changes both overseas, the move from a traditional way of working for over 60 years at a country level towards regionalisation; and a move in the UK away from very significant management at a very hands-on level towards working in teams, rather than personal responsibility. I think the particular survey you see here is a response to the shifts in-year. Of course it is something which we are worried about. We are looking and making strenuous efforts to see how we can improve both the way in which we talk to our staff throughout the organisation but, perhaps more importantly, the way in which we listen to our staff as well.

Q9 Chairman: Can you assure us that your financial success is not based on your charitable and official status, which may be unfair competition with commercial providers in these countries?

Mr Davidson: We believe that our financial success is not dependent upon any form of unfair competition. It is something which we are extremely conscious of. Of course charities right across the country undertake a range of commercial or pseudo-commercial activity in the same way as we do. The monies that we receive through our commercial activities are all applied into the charitable purposes of the organisation. The sorts of measures we take to

¹ Note by witness: UKIERI has secured £1.8m sponsorship so far and plans to raise £4.15million over five years from 06 to 2011.

 British Council & Foreign & Commonwealth Office

try and ensure there is not unfair competition we ensure through a clear firewall, that there is no subsidy of our teaching or other operations from the grant. We also ensure that the commercial activities pay a proportion of overheads which match the benefit they get from the main organisation. Those splits are looked at by the NAO as part of our annual audit. We have a range of policies in the organisation to try and ensure that we do not engage in any form of unfair competition.

Q10 Mr Touhig: Mr Davidson, the British Council needs to be congratulated on the financial success and strong reputation of your English language examinations business, but I am concerned to read in paragraph 5 of the summary on page 6 that the business “charges premium prices” and has a limited reach outside overseas capitals. You said in answer to a question from the Chairman you are not simply going “for the rich”. Is that not precisely what you are doing when you are in danger of providing a service that only the rich can access?

Mr Davidson: I am very conscious of the comments made by the NAO in the Report. It is true that our direct teaching operations are principally located in the capital cities; but, as Mr Lynes pointed out a few moments ago, part of our development programme is to find ways in which we can deliver teaching at lower cost through partnerships both within capital cities but also in other cities across the country. Also we make a particular effort to build out from those teaching centres in a way which actually does help deliver English language through the public education system—so it is not just aimed at those who are the richest in society but we use it as a base on which we can deliver further.

Q11 Mr Touhig: I accept it is not “aimed at”, but if the Report says on page 6 that you are charging “premium prices” then only the rich can afford them?

Mr Davidson: I think the question here is: what do we do on the back of that? The teaching centres themselves do charge premium prices because of the way in which we actually teach. We, for example, use largely native teachers, although again we are looking at developing teaching centres which use non-native speakers of English to make sure that we both bring down costs but also make it more widely available.

Q12 Mr Touhig: You have reduced the number of teaching centres in recent years, have you not, rather than expand them. Why have you done that?

Mr Davidson: We split the teaching centres into two groups: those which operate in the wealthier countries and where we are able to develop a substantially increased range of activity; but also identifying the poorer countries where perhaps we are operating only on the margins of profitability, but where the public diplomacy/cultural relations impact of our teaching is greatest. Where we found that we were not able to teach effectively because of either local restrictions, or that we were unable to do

so in a way which covered its costs in those countries where it was not a major public diplomacy agenda, then we closed those centres.

Q13 Mr Touhig: Cost was a factor. Are British interests in that country a factor?

Mr Davidson: That is correct, yes.

Q14 Mr Touhig: You consult the Foreign Office on that?

Mr Davidson: We do consult the Foreign Office on that, yes.

Q15 Mr Touhig: It is in our interests, is it not, to ensure the British Council English teaching gets to as many people as practically possible for philanthropic and for our own national interests, and developing our interests with our countries?

Mr Davidson: It is indeed. I think we see our direct teaching as only being able to reach a small proportion of the potential market. We estimate there are probably something like a billion people around the world wanting to learn English at the moment. While it provides us a base on which we can develop the programmes, we must also develop a whole range of other activities which enable us to provide support to those people as well.

Q16 Mr Touhig: There are about ten centres you have closed since 2005—how many have you opened since then?

Mr Davidson: I do not have the figure off the top of my head.

Q17 Mr Touhig: You have opened some?

Mr Davidson: I believe we have, yes. I am not sure that we have opened any new country operations. We have certainly opened branch operations in a number of existing countries.

Q18 Mr Touhig: Could you let us have some figures and perhaps how they are progressing?²

Mr Davidson: Yes, indeed, I will give you a note.

Q19 Mr Touhig: Paragraph 2.28 of the Report suggests that the Council’s approach to setting up new centres of English teaching is not very systematic. What are you going to do about that? Your systems are not very good, it says in the Report.

Mr Davidson: I think what the Report is referring to is an approach which focuses on an existing model of operation. What we are looking for is developing new models which are going to enable us to develop in centres in the countries where we perhaps have not been before. For example, we did indeed recently open a new operation in Libya, and in doing so we were looking at ways in which we can develop that in a slightly different model than perhaps our traditional one. The sorts of things we will be looking at are: non-native speakers of English; branch and working with partners. Indeed we are using commercial advisers looking at issues like

² Ev 17

British Council & Foreign & Commonwealth Office

franchising or other approaches, which are completely non-traditional for us as an organisation.

Q20 Mr Touhig: The Report does say that your approach is not systematic and it is not all that well documented?

Mr Davidson: When we examine an operation we do so on the basis of a business plan. That business plan requires—

Q21 Mr Touhig: It also says that you do not really do market testing?

Mr Davidson: Again, I think I would dispute that we do not.

Q22 Mr Touhig: You read the Report.

Mr Davidson: I would argue that we do in a number of places do market testing. We undertake a range of market approaches. What we do not do, and where we want to develop our work, is identify different models and a different way of doing business. We tend to work on the basis of a fixed model. The criticism of the Report, which is how I read this, I think is accurate in that case.

Q23 Mr Touhig: How many new centres are being planned at the moment?

Mr Davidson: I do not have a figure off the top of my head.

Q24 Mr Touhig: You are planning some?

Mr Davidson: Yes.

Q25 Mr Touhig: Do you know where they might be located?

Mr Davidson: We have plans for a substantial expansion in China. We are also looking at plans for India. We have a programme which, at the moment, is examining the full range of our operations globally to identify new opportunities. At the moment we are right in the middle of a process of examining these opportunities.³

Q26 Mr Touhig: When you look at these opportunities do you look at what contribution these developments can make to our relationships within countries where you want to set up?

Mr Davidson: Yes, we do. Our approach is that we should seek them to cover their costs; where it is appropriate we seek for them to provide a surplus which enables us to develop the programme more widely; but everywhere we look to them as a contribution to the UK's international relationship. We will not open a centre where it does not provide a contribution to the public diplomacy objectives.

Q27 Mr Touhig: Coming back again to costs and I am looking at your website, it says that one of your stated aims in the purpose and direction section is your commitment to internationalism and to equal opportunities; but how does this commitment sit well with some of the high charges that you make?

Mr Davidson: It sits with our recognising that out of our centres we develop this wider range of other activity. Perhaps Mr Lynes could give you some examples of some of that work.

Mr Lynes: As the Report states the British Council has got an excellent reputation in terms of English work that it does around the world, and it is regarded as a world authority. In all the cities where we actually deliver face-to-face teaching it raises the standard of direct teaching in that city and in that country. It is for that reason governments come to us and look to us to access ELT through the UK. For example in the Middle East, where I am currently working, we are working with the Yemeni government on curriculum reform, introducing UK textbooks into the market there; and we are working in Saudi Arabia supporting English language teaching in universities there. So the teaching centres are only a small part of what we are doing.

Q28 Mr Touhig: I understand, but what I am trying to explore is that there are many countries which are not wealthy which would benefit enormously from the British Council's English teaching and could prove to us to be very useful partners in the long-term?

Mr Lynes: Absolutely right. We do operate in places in Africa.

Q29 Mr Touhig: Would lower charges then actually benefit us? Does not the Foreign Office have a view on this? Do you prod them from time to time and say, "We have a certain interest developing in this country. We'd like to see you expand your work and by the way, boys, knock 20% off your charges"?

Mr Luck: We do work extremely closely together, as indeed you have implied. We work very closely on the strategic aims and objectives of the British Council; but their day-to-day operations are very much matters for the British Council.

Q30 Mr Touhig: You provide most of their money?

Mr Luck: We do indeed.

Q31 Mr Touhig: So you have an interest?

Mr Luck: We do indeed on the public diplomacy side; but again on the English language English teaching side that is a part of the operation which is very much part of the British Council's day-to-day operations.

Q32 Mr Touhig: Profits and surpluses, Mr Davidson, might drop a little but in the long-term Britain's interest might be better served. Do you not have a degree of flexibility in your approach to this?

Mr Davidson: We do have flexibility in our approach. As I said, because of the competition issues we make absolutely certain there is no subsidy from the grant into the teaching operation; and that is a fixed position for us. We undoubtedly subsidise, from some of our wealthier operations, some of the poorer ones. If you just look at the range of countries where we are operating—54 rather than the 13 or nine that our major competitors are working in—I

³ Ev 17

British Council & Foreign & Commonwealth Office

think it indicates the way in which we do make substantial shifts from wealthier operations to the poorer ones.

Q33 Mr Touhig: Finally, Mr Luck, value for money are they?

Mr Luck: I believe so, yes. We do work extremely closely and they are a valued and valuable partner in our public diplomacy effort. As Mr Davidson has indicated at the beginning of the session, they have enormous reach, far greater than the Foreign Office could do on its own; and I think the Report points to our heads of mission saying that they feel they are a valuable contribution to the Foreign Office.

Q34 Mr Bacon: In paragraph 1.6 the Report describes your shift from Europe towards the Islamic World. I read in my *Daily Telegraph* you are sponsoring a hip hop band in Libya. I am not competent to judge whether that is value for money or not; although the quote from your colleague, the Ambassador to Egypt, saying that the debate inside Islam would be helped by having professional Islamic scholars able to communicate in English, I would have thought self-evidently true. Apparently you are funding an English school in al-Azhar?

Mr Davidson: That is correct.

Q35 Mr Bacon: I am just wondering, might that shift lead you to the closure of offices you already have, or is it simply a case of scaling it down?

Mr Davidson: The shift we have made out of Europe has indeed led to the closure of offices?

Q36 Mr Bacon: Whereabouts?

Mr Davidson: Over the last eight years we have reduced, for example, in Germany from five⁴ regional offices to one; we are now present only in Berlin. We are looking at a range of other operations as well to see whether or not we should be present in the scale that we are. We will also be moving in Europe away from a public presence except where the public pays for that. For example, where we are able to teach and the public is able to cover the costs of that presence we will have a public presence; where it is not then we will be moving into private offices.

Q37 Mr Bacon: Are you referring to the British Council office in Hardenberger Strasse in Berlin? That is still open, is it?

Mr Davidson: It has now moved. It has now moved to a back office only; so we no longer have the library or the teaching centre.

Q38 Mr Bacon: Not having the library is probably a benefit, and I will come on to that and why. I used to live in Berlin and I used to use the British Council office and library, at least the office, for the newspapers at any rate, regularly. Surely those ought to be capable of being self-financing because of the English language teaching, should they not?

Mr Davidson: We have found it difficult in some operations to do so.

Q39 Mr Bacon: In Germany I mean, of all places, there is an enormous demand for English language tuition there.

Mr Davidson: There is. The question for us is the amount of time, effort and management we have to put into it. Is that the best way for us to deliver the cultural relations agenda we want, or do we do it in a different way?

Q40 Mr Bacon: Can I ask you about the library. Who chooses the books that go in British Council libraries?

Mr Davidson: They are usually chosen by our librarians.

Q41 Mr Bacon: Locally? I tell you why I ask this question: I was in Berlin for nearly two years and I spent a lot of time in the British Council library, mainly looking at the newspapers because it was the time of the Maastricht debate here in 1991 and 1992 and it was extremely useful for all the British periodicals and the Sunday newspapers, and also English language bookshops—of which there were several in Berlin. If I wanted to get a good range of interesting publications I went to the English language bookshop; the library was full of sub-Marxist claptrap, to be honest. At that point I had just received a second political science degree so I think I knew what I was talking about and it looked like neo-imperialist claptrap. I just wondered why it was there, to be perfectly honest!

Mr Davidson: I cannot comment on the detail of what was in the Berlin library.

Q42 Mr Bacon: Or any library. It is done locally, is it?

Mr Davidson: It is done locally with advice from headquarters, but also drawing upon the demand we have from the people who are actually our members there. Obviously we are constantly asking the question of what sort of books they would like. I think the point you make is an excellent one. In Berlin there are a very large number of English language bookshops there, as there were for example in Athens. It would actually have been cheaper for us to give the books away in Athens rather than to lend them. We made decisions, which seemed to me entirely appropriate, not to continue with the library.

Q43 Mr Bacon: I would like to ask you about corporate involvement in sponsorship. Paragraph 2.6 talks about the way in which various companies are involved with the UK-India Education and Research Initiative, and it all sounds fine and dandy good stuff. Later, on page 15, there is a reference to what the Report very carefully, not to say euphemistically, describes as the “inconsistent application of Council policy on working with companies; for example to address variable staff perspectives on whether or not it is acceptable to work with energy companies to present climate

⁴ Note by witness: The British Council had five offices in Germany in 2000: Cologne, Berlin, Hamburg, Munich and Leipzig

change events . . . ” Am I to take it that there are some British Council staff in some parts of the world who are happy or prepared to work with energy companies, and others who say, “Not over my dead body”? Is that basically what that paragraph is saying?

Mr Davidson: I think that probably is what the paragraph is implying. In the middle of last year we developed a policy on acceptable sponsorship. We, for example, have made a decision that we will not accept sponsorship from tobacco and drink⁵ companies. We are now applying that policy across the organisation. The issue—and I think the Report has made this in a number of places—is one about consistency across the organisation. The problem of 110 disparate operations has been to provide that consistency. That really is the focus of our work at the moment and that is why we are going into regionalisation; and where, with colleagues like Mr Lynes, responsibility is crucial there is a consistent application of corporate policy.

Q44 Mr Bacon: Do you now have a policy in relation to the acceptability of the involvement of energy companies in climate change events?

Mr Davidson: It is part of our acceptable policy, and we do believe that it is appropriate to accept sponsorship from energy companies in the environment.

Q45 Mr Bacon: Can I just ask about the signing off of projects. Paragraph 2.15 talks about this, about the very late point in the day in which sign-off occurs, quite often after a lot of money has been spent. How have you dealt with that problem?

Mr Davidson: We have revised our sign-off processes. We have a four-stage gate commissioning process. Our expectation is that the vast majority of projects, if they are not going to continue, will be taken out of the system on the first-stage gate. The whole of our approach is the removal of projects right up to the very beginning of the process; otherwise, as the Report points out, we waste a great deal of time and effort.

Q46 Mr Bacon: Midsummer Night’s Dream, this particular thing in India, you could not get any sponsorship. Am I right in my reading of this that essentially you should have been able to get loads of sponsorship, and if it had been better organised you would have done and you have learnt your lessons now? Is that basically what this is about?

Mr Davidson: I think it was a disappointing response.

Q47 Mr Bacon: You cancelled four of the eight performances?

Mr Davidson: That is correct, but we did take Midsummer Night’s Dream back to India in January of this year and we achieved a total of £303,000 worth of sponsorship⁶ for that.

Q48 Mr Bacon: When you say it was “a disappointing response”, there must be loads of British corporates who would love to get their names in front of big Indian middleclass spending audiences and managerial audiences, who would be the sort of English language speaking people who would go and see this sort of thing. It just was not managed properly?

Mr Davidson: We did not do well enough, no.

Q49 Mr Bacon: I would like to ask you about teacher capacity. You mentioned the point about reducing the cost—paragraph 2.33 talks about second-language teachers using people for whom English is not their native language as teachers, and that that actually works. However, there is resistance in some markets to tuition from second-language speakers when premium prices are charged”, which I can completely understand having been myself a consumer of foreign languages tuition taught by native speakers and non-native speakers. What are you doing about that? Are you having a two-track approach? Are you having non-native speakers and charging less, or what? Or are you trying to charge more whilst offering a second-rate service?

Mr Davidson: Could I ask Mr Lynes to answer that, who is an expert in this area.

Mr Lynes: The Report refers to how we are looking to diversify the number of English language teachers we have in our centres, quite rightly. Currently we have approximately 1,800 English language teachers working for us; out of those there are approximately 80 who are second-language speakers. The way we see moving to in the future is actually moving towards more second-language learners. We have not got places yet where the majority of our teachers are second-language learners, so we have not got a two-tier model as yet. However, from experience from other competitors, for example International House and Bell who operate in the market with a mixture of native English speakers and bilingual teachers, they do not differentiate between the prices of the courses that are charged. I would not have thought that we would differentiate. If somebody comes to the British Council whether they are taught by a native speaker of English or whether they are taught by a bilingual teacher they are not going to pay a different price.

Q50 Mr Bacon: You would have to make sure they were of a high enough standard?

Mr Lynes: Absolutely. I think this is one of the key issues. In some cases a unique selling point is that if you come to the British Council you expect to get a native teacher of English from the UK. That is changing. The world of English language teaching is actually changing as well. There is more acceptance now—the majority of people who learn English learn through bilingual teachers. I think it is the right way to go as the Report highlights.

Q51 Mr Bacon: I have one more question, about Russia. This is a quote from an article by Mary Dejevsky. If it is back to the Cold War it may be our fault. You may have seen the article. “The Russians

⁵ Note by witness: We do accept sponsorship from alcohol companies, albeit with restrictions

⁶ The £303k figure includes box office receipts

British Council & Foreign & Commonwealth Office

have not been happy with the activities of the British Council for several years—and not just because they [the Russians] harbour Soviet-era suspicions about the purposes of foreign cultural representations . . . they were put out when the Council shifted its English language teaching—long a major part of its work—onto a commercial basis. In their eyes, this changed the operation from charitable cultural outreach to business, and required it to be on a different legal footing and tax liability”. That is fair enough, is it not?

Mr Davidson: I think the position on Russia is a complex one. We are registered and are prepared to pay taxes whenever the local authorities require it. I do not believe it is a fair representation that the Russian authority’s action against the British Council was based upon the way in which we taught English. I think there were a much wider range of issues. The Russian authorities have used a whole range of different reasons for their approach towards the Council of which one, but only one and certainly not the most overt one, has been the issue of our teaching.

Q52 Mr Bacon: Your office is now closed there, is that right?

Mr Davidson: No, we still have our office open in Moscow. Our offices in St Petersburg and Ekaterinburg are, however, closed.

Q53 Mr Burstow: Can you start by telling us whether the larger scale projects you have been moving towards, these regional based projects, have generated greater outcomes relative to the greater costs that you are incurring? Do you have ways of demonstrating that?

Mr Davidson: It is early days yet, but our initial work on looking at them has indicated, first of all, in terms of efficiency they are more efficient. The example I gave a few moments ago about our Interaction programme in Africa where the unit costs reduced from £8,000 to £4,000 is perhaps a dramatic one but, nonetheless, it is not completely unprecedented. Also our end of year performance measurement this year has indicated that there is a statistically significant improvement in the effectiveness of the programmes which have been run at a regional rather than at an individual local level. I would not want to give you the view that we have completely sound evidence of this, but we have good indications that that is indeed the case.

Q54 Mr Burstow: In that process of looking at your score card, I gather from this Report that there is some disparity as to how consistently applied the tools are for actually assessing performance. How certain can you be when you look at what is coming back from the regions that you really are seeing something that is telling you that this is delivering better outcomes for greater costs?

Mr Davidson: I think the comment in the Report about consistency—and I referred earlier to one of the issues of consistency we have as an organisation—is between regions. I think the evidence we have got is also within the region. One

must assume that the region is actually (and I think this is the case) drawing on evidence consistently between the region as well as the local programmes. Within regions it is clear that some of those regional programmes are delivering a more effective programme than local.

Q55 Mr Burstow: You are an organisation in about 110 countries, with a huge reach potentially and actually. How do you ensure that reach as an organisation does deliver what you at the centre want it to deliver through your local staff? How does that actually happen? How can you ensure that they are managed to deliver what you have decided in London needs to happen?

Mr Davidson: We have gone through a range of changes—the first and most important one has been this move to regionalisation. Instead of operating with a relationship between London and 110 countries, we do now operate with a relationship between London and 12 regions, of which Mr Lynes is one of the Regional Directors. It is his responsibility within his region to ensure that the country operations do deliver against the set programmes. What we have also introduced for the first time this year is a very clear and explicit agreement between the centre and the regional director on the contribution that each region will make to the delivery of our corporate outcomes. While we will define a set of corporate outcomes we want in a particular area of work, Mr Lynes and his colleagues will be required to actually sign up to delivering a part of that. The third area we have done is we have brought into our management looking at the finances on a global basis against outcomes on a monthly basis and on the effectiveness of the programmes on a quarterly basis, where previously there was a tendency to look at this only at the end of the year.

Q56 Mr Burstow: Can I move onto something related to this. The business is a people business; it is all about contacts and building contacts. We understand you have over five million contact records. How many new contacts do you add each year to your systems across the organisation?

Mr Davidson: I am not sure I can give you an exact figure off the top of my head. We are, for example, engaging with over 15 million people per year, of whom my expectation would be that a significant proportion would be new contacts.

Q57 Mr Burstow: Is it a number you do not know today but could be obtained, or what?

Mr Davidson: I will certainly write to you with the best estimate we can of that.

Q58 Mr Burstow: In the same note perhaps you could say how many contacts are missed each year. The reason I ask this is that we learn from the Report, on page 29, paragraph 3.19, that “In 2004 the Council failed to respond to over 500,000 telephone or email enquiries”, and that rose by 2006 to 1.5 million enquiries that were missed—surely a huge part of your potential business is being just

missed because of systems failing and people failing to answer calls and respond to emails. How many contacts do you think you must miss as a result of that every year?

Mr Davidson: We estimate that we have 15 million enquiries per year into the organisation, and that is telephone email and personal enquiries. The numbers which are given in the Report are our failure to meet our service standards. It does not mean that we fail completely to respond to those, but we do not meet the service standards that we have set ourselves. Our service standards are that 100% of emails should be answered within seven days, and 100% of telephone calls should be answered within two minutes. Again, the issue of consistency is critical here. We are meeting those standards in some places; we are not meeting them consistently across the organisation.⁷

Q59 Mr Burstow: Is part of the reason you are unable to provide all the information on this today and why perhaps some of that performance is not as good as you would want it is that there is not a workable system at the moment for relationship management, for contact management; there is not a database, an integrated system?

Mr Davidson: We do not have an integrated global database, you are quite correct. In drawing up the data on this we would be enquiring at the country level rather than by drawing it from a smaller system.

Q60 Mr Burstow: Why is it now that it is two years' behind schedule, I believe, to get the system up and running just for the people potential?

Mr Davidson: The reason is one of the sheer complexity and scale on which we are operating and a great deal of scepticism, certainly on my part, in going for a technical solution to a problem which has not been adequately defined. I have been emphasising with my colleagues the definition of the problem—the definition of what we are actually seeking to achieve; and that is why we have spent something like £300,000 in trying to achieve that; rather than going in for what would have been something like a £6 million IT solution, which industry standards suggest something like 60% of them fail. My concern was that we did not go for a quick IT win to a problem which we had not adequately defined. We are going through pilot programmes at the moment in China and also in Europe to look at how we can deliver a system.

Q61 Mr Burstow: How are you guarding against the situation where people on the ground, waiting for a system to come, are busy working out and inventing their own, and therefore you have a proliferation of systems that eventually have to be integrated into some overall system so you could answer my question about the numbers of contacts that you miss and get year?

Mr Davidson: Obviously, first of all, our IT systems do control the creation of new database systems, or new systems on our unified IT system. It is ultimately the responsibility of our regional directors to understand and engage with the corporate programmes, not to go ahead and create their own. There is a frustration in the organisation, I have to accept, that we are not moving as quickly as some colleagues would want; but I reiterate I think the dangers of moving quickly and getting it wrong are very considerable.

Q62 Mr Burstow: Let us move on to my final area which is the issue of teaching, which you have been answering some questions on already. How did the Australian company IDP manage to creep up on you in India and take such a large share of your business over about six years? Did you not see it coming?

Mr Davidson: The IELTS programme, which is specifically referred to here, is a joint agreement between ourselves, the University of Cambridge and IDP, so it is a shared examination. The examination has grown incredibly quickly globally.

Q63 Mr Burstow: In India you lost two-thirds of your market share during this period, between 2002 and 2007?

Mr Davidson: While we did lose market share, that is absolutely correct, the total number of exams we were offering did grow. There was an explosion of demand in India. IDP were working with local Indian partners and they were quicker than we were to take advantage of that market. In other markets we were faster on our feet. Indeed, of the global market for IELTS we deliver two-thirds and IDP deliver one-third. India, no, we were not as quick as IDP were in developing the programme.

Q64 Mr Burstow: I understand five out of the 50 centres around the world generate the bulk of the surplus, which is about £10 million every year. What are you doing to make sure that those high performers are not ambushed in the same way as it appears took place in India, and ensuring that other centres become better performers in the future?

Mr Davidson: I think that particular statistic refers principally to the teaching rather than examinations. The examinations, as far as I am aware, are profitable in the vast majority of our centres. Of course, we have marketing managers and we have regular development programmes for the examinations. Examinations are a highly volatile market and we will be continuing to looking very closely indeed with our partners, both Cambridge and IDP, to continue to develop it. I have to say, I am delighted that over the last two the IELTS examination has overtaken the American competitor as the world's largest examination of its kind.

Q65 Geraldine Smith: It is a good report and my initial feeling about the British Council is a good one, so your marketing must be good, there must be something. Certainly when I have visited any of your offices abroad, I have got a good impression. I

⁷ Ev 18

British Council & Foreign & Commonwealth Office

understand you are moving away from Europe and into the Islamic world more, the Indian subcontinent and the Far East and it makes a lot of sense to do it, but how easy is that practically to achieve? What does it involve? Does it involve closing offices and relocating staff? How do you do it?

Mr Davidson: It is a two-headed problem, one is taking the resource out of Europe and that does involve us closing offices, closing public presence and, indeed, laying off staff and there has been a significant reduction in staff in Europe. The second side of the problem is rapidly growing the new programmes in the Middle East, in areas of North Africa and Central and South Asia in a way which is really effective. Perhaps Mr Lynes could say a word or two about how he has done that in the Middle East.

Mr Lynes: It is easier to grow than to close. Our budget for the Middle East has grown from £3.1 million in 2000-2001 to a budget of £10 million this year where we have had to employ new staff and develop new programmes. In 2004 we set about designing six large-scale projects in the areas of education, English, the arts and science, building on the work we have been doing for many, many years in the region, to be able to scale up, work with new partners and develop our work that way. The demand for our work is very, very strong, particularly in the areas of English and education.

Q66 Geraldine Smith: Can I turn now to measuring the impact of your activities. Again, that cannot be easy when you operate in so many different countries and it must vary considerably between country to country. It seems odd that your staff seem to have a lot of discretion over which events they invite audience feedback for. Human nature being what it is, if something is going well you are going to ask people what they think and if it is not, you are not going to bother.

Mr Davidson: I accept there is obviously a danger of that, though I think in almost all cases we decide before the events take place whether or not they are going to be measured, so I do not think any of my colleagues wait and see whether it has gone well before they ask the question. We have made considerable efforts to develop new ways of measuring. It is a very complex and difficult area to measure because you are dealing with human beings' reactions and personal feelings rather than a clearly quantifiable set. It has been looked at quite extensively both by organisations in this country but also by our counterparts elsewhere. Our approach is generally seen as one which is in advance of what most of our analogue organisations from other countries are involved in. We do spend a great deal of time talking with other people asking the question how can we improve that. You will have seen from the report that a study was undertaken, jointly funded by ourselves and the FCO, to look at what we do in our area of work and what the FCO does in public diplomacy. It can also be measured against

a common set of criteria. A considerable amount of effort goes into constantly trying to improve our measurement systems.

Q67 Geraldine Smith: You have collected and evaluated over 200,000 customer feedback forms, is it worthwhile doing that? You have pointed out it is very difficult to measure.

Mr Davidson: I think the customer evaluation feedback form is only one of the measures through which we attempt to evaluate our work. We also ask questions about customer satisfaction, for example through our teaching, our examinations. We also have a programme called the *Evaluation of Long-Term Outcomes* which is run for us by a survey organisation so we do not get directly involved in it ourselves to ask the question, "What is the broader impact?" It is one part of the balance scorecard, which has a whole range of different components. I think it is important but it is not sufficient in itself.

Q68 Geraldine Smith: Can you give me an example, perhaps, of how the performance information, the feedback you have received, has made you change the way you do something?

Mr Davidson: I will ask Mr Lynes for his personal experience in a moment, if I may. One of the things we are doing from this year is getting that feedback data back into headquarters on a quarterly basis rather than at the end of the year, so that we identify whether or not our customer satisfaction has improved or is reaching the targets we are looking for so that we adjust what we are doing in year. The same is true of other satisfaction rates but, Mr Lynes, have you got an example from your region?

Mr Lynes: Mr Davidson mentioned the *Evaluation of Long-Term Outcomes* which is carried out by an external organisation and those are in-depth interviews with some of our key partners. Because the feedback we get is quite substantial, what we have found out through that is they have helped influence our future programmes. For example, in the Middle East they may say, "We'd like you to do more work in a particular area" for example teaching development, and that helps inform our programmes and how we develop them in terms of our large-scale projects. You do not get immediate feedback from the customer questionnaires that you may get after an event. It may tell you how you organise the event or initial reaction to it, but it is through the evaluation of the long-term outcomes, those in-depth interviews that we get better feedback so we can adjust our programmes.

Q69 Geraldine Smith: What about having a database to track customers? Do you pick up on all your customers or is that something you fail to do?

Mr Lynes: We do. As has been highlighted, we do not have a global CRM module, however in the Middle East we use Microsoft Outlook to capture all our contacts. All our managers are trained in that, they record in a systematic way and review it on a regular basis. We are able to track our partners, our contacts quite sufficiently, both at a country level and a regional level.

British Council & Foreign & Commonwealth Office

Q70 Geraldine Smith: I was going to ask you about your customer care, your standards of answering the phone and email, but when you said seven days for email, it does not sound too bad! What can you do to improve that?

Mr Davidson: If we were able to hit that, I would be broadly satisfied. The great problem with customer service standards is you can spend a very, very large sum of money to make only a moderate improvement on them. For me, at this stage what I am looking for is consistency across the organisation and then raising the overall standards. While our targets are, as I said, seven days for email, two minutes for telephone calls, we clearly are not hitting those targets at the moment, we are only achieving something like 74%–75% of that and we recognise we have got to improve. What is a problem also is that only 10 out of our 12 regions have improved over the last year. Again, what we are looking for is getting that consistent improvement across the whole organisation.

Q71 Geraldine Smith: Could that not be linked to resources though? You would think with basic things like answering the phone and answering emails you might just need a few more staff on those because they are very important tasks for an organisation like the British Council. If you fail there, you are failing at the very basic level.

Mr Davidson: I think that is absolutely right, but it is up to the regional directors to ensure they are meeting the targets we set. That is the reason why we are moving from an annual mystery shopping survey to a quarterly mystery shopping survey so that we get much better data in year so we can apply appropriate pressure to those regions that are not hitting the targets.

Q72 Geraldine Smith: You think by having regional managers you will have much more control and be able to do that?

Mr Lynes: Certainly, how we have tackled this in the Middle East is we have put in customer service managers into each of our offices to address this problem. We have a Customer Service Excellence Project which is part of a broader project because we are recruiting a full-time customer service manager for the region. You are right, we do need to put in extra resource where they are needed.

Q73 Mr Mitchell: I cannot understand why you do not go for broke on language classes. Here is one thing the world needs, the English language, which is a great marketing opportunity and yet you are putting yourself at the pricey end of the market and cutting down the numbers. Most of your profit comes from five centres, we see on 2.25, three of which I have been in, they were packed and marvellous. Why do you not do that everywhere?

Mr Davidson: I am slightly nervous about coming up with top of the head numbers, but our plans are to very substantially increase our teaching centres globally. We will not do it on the basis of the model

we have at the moment, we will only do it on the basis of rethinking quite fundamentally the way in which we teach English.

Q74 Mr Mitchell: Why do you not go for the mass market?

Mr Davidson: I think the two pilots we have got, China and India, clearly will be asking that question, how can we access the mass market, but I do not think the really mass market can be delivered through purely a face to face operation dependent upon teachers from the UK. I do not think there are enough teachers in the UK in total to be able to deliver what India and China are looking for, so we are going to have to find different ways of doing that business.

Q75 Mr Mitchell: You could dilute the teaching course by having people phone, a second language, and you talked about doing that, you have recruited some. That would enable you to employ more teachers and probably reduce the price of the courses.

Mr Davidson: That is correct and, indeed, that is part of our plan. Also, this year in China we are experimenting with providing tuition over mobile phones so that people are able to phone up and get tuition. We are looking at a range of different ways of doing this. In China, the costs of delivering a premises-based teaching operation of any scale whatsoever would be astronomical, bearing in mind we are unable to borrow in order to be able to expand. We have to do that from within the resources we create within the organisation and, again, that is a constraint on us.

Q76 Mr Mitchell: It is a snowballing process, it raises more money and therefore you can spend more money and develop more centres. Is it a fact that you are scared of competitors complaining?

Mr Davidson: We are very conscious of competition, yes.

Q77 Mr Mitchell: Why?

Mr Davidson: Because we need to make sure we compete in a fair way.

Q78 Mr Mitchell: Why? The Government wants the public sector to be more entrepreneurial and competitive and here you are tying your hands, going for the pricey end of the market in expensive premises where the fees are going to be high. Why not go for the mass market?

Mr Davidson: I think we are looking at developing those mass market programmes. We will be looking at programmes like franchising, which is completely new for us.

Q79 Mr Mitchell: You do that in Brazil, do you not?

Mr Davidson: What we do in Brazil is not really franchising. We have a partnership with the culturas but they are independent organisations and now completely independent from the British Council. We will be looking at programmes like franchising, branch operations and partnership operations. We

British Council & Foreign & Commonwealth Office

will also be looking at delivering teaching through non-traditional methods, particularly virtual methods.

Q80 Mr Mitchell: At the same time you are closing down centres which run at a small overall loss. You have closed ten “Mission Critical” centres, whatever they are, in countries. Why is that? Can you give us an indication or perhaps report back to the Committee telling us why they were closed and what the numbers were because it says nothing about numbers, it just says a small financial loss.

Mr Davidson: I can certainly give the Committee a note which indicates each of the centres we have closed and the reasoning for that. Fundamentally, we have closed those centres which were making a significant loss and where we did not believe they worked effectively.⁸

Q81 Mr Mitchell: It says a small loss, not a significant loss.

Mr Davidson: I would argue that we would only close where there is a significant loss. It is a combination of loss and a failure to deliver an effective contribution to the UK’s cultural presence in the country.

Q82 Mr Mitchell: Why do you concentrate so heavily on capital cities, both in your cultural activities and in the English teaching? If Britain was a foreign country you would never come to Grimsby, would you? We would hear nothing of you!

Mr Davidson: Again, part of the whole of our future development programme is about finding ways of operating outside simply the capital cities. Obviously the UK is very different from a range of those countries where we are working. For example, in Zimbabwe we are in Harare and Bulawayo, in Burma we are in Rangoon as well as Mandalay and we have four centres in China and 9 centres in India, so we are spreading ourselves where we believe it is appropriate to do it. I think there is no question that we can and should be looking at branch operations in second and third cities in some of those countries where at present we do not have them.

Q83 Mr Mitchell: Presumably that would enable you to offer a less expensive option. One of the reasons given as to why it is so pricey—it says at 2.29—is the teaching of English is carried on in expensive offices.

Mr Davidson: We did make a decision, and I think it was the right decision, that we should teach along with the rest of our work. We are not simply a teaching organisation, we are a cultural relations organisation and we wanted people who would come in to learn English to also see the other work we are doing, whether that is information work or seminar work or activity with different people, so I do think that does add some cost to it. Personally, I

believe it is appropriate that we try and build out from the teaching centres into the rest of the work that the organisation does.

Q84 Mr Mitchell: The report gives you the impression, which no doubt Mr Davidson will follow up, that you are going for the classes, not the masses, both in your cultural contacts, your relationships and in your English teaching.

Mr Davidson: I do not think that is appropriate.

Q85 Mr Mitchell: Potentially you are picking out people, rising stars like me and members of the elite, whereas the need is to get out to the mass market.

Mr Davidson: We are certainly picking out rising stars but I do not think we are assuming that rising stars only come from existing elites. Indeed, a critical part for us is to make sure we try and look across the entire range of people within a particular place to identify where those rising stars are going to be coming from.

Q86 Mr Mitchell: This increased emphasis on the regional premises which you are developing, is that to save money, that you could put on one performance of *Midsummer Night’s Dream* and cart it around India? The report says that you are going for more of a regional strategy and taking groups, cultural events, writers or whatever around a region rather than a country by country approach.

Mr Davidson: What we are seeking to do is develop programmes which are region-wide. A good example is our School Links Programme. We have a programme which takes place in a wide range of different countries. Traditionally they have tended to be country specific and country form by bringing them together into a programme which we hope to launch the month after next called Connecting Classrooms.

Q87 Mr Mitchell: It is not to save money.

Mr Davidson: It will save money because instead of developing a programme maybe 20 or 30 times, we will develop it only once. It is not about taking money out of the programmes, it is about being able to deliver that programme more effectively. I think the school classroom links is a very good example of that.

Q88 Mr Mitchell: I see that sponsorship return is down. Is that because of this regionalisation process? In other words, you could get local sponsors for a strictly local event but you cannot get sponsors for a bigger regional event.

Mr Davidson: I think there is an aspect of truth in that, that by moving away from some very large programmes at an individual country level we have to find new ways of developing those relationships. That is one of the reasons why we have expanded, for example, our corporate sponsorship department in London because we have to deal with headquarters for some of the scale of sponsorship we are now looking for rather than the local office.

⁸ Ev 17

British Council & Foreign & Commonwealth Office

Mr Mitchell: This friction with Russia which has hit the headlines, were you spying? Were the premises being used for spying?

Chairman: Who were you spying on!

Q89 Mr Mitchell: Were the premises being used for a purpose like spying, of which the Russians were rightly suspicious?

Mr Davidson: No, they were not.

Mr Davidson: You would say that anyway!

Q90 Mr Mitchell: Have you experienced that kind of difficulty in other countries?

Mr Davidson: What, difficulties like Russia?

Mr Bacon: Spying?

Q91 Mr Mitchell: No, sorry, difficulties of government suspicion of your activities.

Mr Davidson: There is no question that a number of governments do not necessarily like the development of a more open society. My personal view, I do not have a huge amount of evidence for this but you will perhaps remember that our offices in Ramallah and Gaza were burnt out about 18 months ago. Why? Because we were the only people at that time providing access to the outside world for young Palestinians. Undoubtedly there are forces around the world who do not want us to do that.

Q92 Mr Mitchell: Those will be greater in the Muslim world.

Mr Davidson: No, I think there are a variety of countries, for example Burma.

Mr Mitchell: Mr Lynes is nodding.

Q93 Chairman: Your colleague was nodding at that stage; you said no and he said yes!

Mr Davidson: I think there are certainly issues within the Islamic world, the Muslim world, but I think there are also other issues. Burma and Zimbabwe are not renowned for their openness at the moment.

Q94 Chairman: I was going to ask you specifically about Burma and Zimbabwe. What is happening there? Are you being harassed? Are you free? Do people keep telling you what you can and cannot do?

Mr Davidson: We have operations in both those countries and in both countries we have a large number of people coming through the offices. I think in Burma we have something like 70,000 people coming to our offices for activities and that is teaching, examinations and libraries. There is an excellent example of where the library is a phenomenally powerful tool because it is the only place in Burma where you can get access to outside literature, foreign newspapers, the BBC World Service and the Internet. We have something like 375,000 people a year coming through our offices. Obviously there are people who come in multiple times, they are not new individuals, and every time they come in they have their names taken by military intelligence. It is a service of enormous value which people take a risk in coming to get and the same is true in Zimbabwe. Again, we have a very substantial number, around 50,000 to 60,000 people per year

coming into our operations in Zimbabwe, in Harare and Bulawayo. Our agenda there is to try and provide support and assistance to young professionals who want to stay on in the country and not go overseas.

Q95 Mr Davidson: You are under the umbrella of the Foreign Office, which in previous investigations—if you can clarify—was chock-a-block with public school, Oxbridge people. Are you representative of Britain as a whole?

Mr Davidson: We attempt to be so. How well we are doing is worth looking at.

Q96 Mr Davidson: Is that a yes or a no?

Mr Davidson: It was the preliminary to telling you where we are, which is that out of our 240 senior managers globally we have something like 8% from black and minority ethnic staff and something like 30% who are female. I think it is still true to say that we have a larger number of black and minority ethnic staff in the more junior ranks of the organisation, but we have targets which we have put in place to try and ensure that both women and minority staff are better represented throughout the organisation.

Q97 Mr Davidson: None of which I mentioned, but I did mention public schools and Oxbridge and you did not mention either of those in your reply, so I presume that was a no then, was it?

Mr Davidson: Out of my executive board of five, one person has an Oxbridge background; out of the 12 regional directors, three have an Oxbridge background.⁹

Chairman: You were obviously expecting this question, were you not, because you are well prepared!

Q98 Mr Davidson: Maybe you could confirm that to us in writing, that would be helpful. Can I turn to page 11, chart 5, where we are looking at the groups you are focusing your resources on. This applies to British Council—India, but I presume it applies more generally. The top two groups both have low price sensitivity, now I presume that is a euphemism for rich, whereas the bottom two groups you have there are high price sensitivity, which I presume is a euphemism for poor. Picking up the point which my colleague made, you are basically providing services for rich people.

Mr Davidson: No, I do not think we are. If you take China as a case in point, there is a very wide range of people who are not necessarily rich but for whom education and foreign education is seen as of such enormous value that they are not enormously sensitive to the cost of that. I think the same is true in India. We have not used this as a euphemism for rich and poor, we have tried to identify those who are genuinely price sensitive and those who are not.

⁹ Ev 19

British Council & Foreign & Commonwealth Office

Q99 Mr Davidson: Can you clarify for us how many of the people you are dealing with, for example, in India could be vaguely described as rich and how many could be vaguely described as poor that you are dealing with? You tell us the answer and then we will try and clarify whether or not that is representative of India as a whole.

Mr Davidson: I cannot give you a precise split off the top of my head but I will obviously try and let you have that.¹⁰ It would be foolish for me to pretend that an organisation of our size in 9 offices across India is dealing with anything like 1.2–1.3 billion people, but clearly we are working with the mass education system. For example, we have developed a programme with the West Bengal Government to provide English to the secondary schools which delivers English.

Q100 Mr Davidson: I think that is welcome but the heading here in this report, which you have agreed, is identifying the groups to focus your resources on, therefore places like West Bengal would not be part of the main focus since the two groups here are clearly the focus. You can understand my anxiety about this question of low price sensitivity given the image that you have of dealing mainly with foreign elites. What evidence can you point to in terms of paragraph 2.2, for example, about who you are dealing with that would reassure me that you are not just simply dealing with the existing power structure?

Mr Davidson: The organisation, the way in which we define the people we are dealing with, yes, we are seeking to deal with those who are going to have influence into the future, but it is very important for us to be able to find those people across a broad range of societies in the countries where we are working. It is not about either a self-defined elite or only the children of existing elites with whom we work. Programmes like education promotion, our education management and our school links are all designed to get out into a much wider section of society than perhaps purely our English teaching side.

Q101 Mr Davidson: In that case, why does it say in chart 5 “... identified six T3 groups to focus their resources on” and the sorts of people you are mentioning do not seem to come up there? In terms of the T1, T2 groups, how many of those are involved with trade unions, for example?

Mr Davidson: I do not have a figure, but I can certainly endeavour to try and find one. In a number of our countries we are working with a wide range of people, including people within the trade union movement and other aspects of civil society.

Q102 Mr Davidson: I think it would be helpful if you did give us something in writing indicating the extent to which you have got an involvement with trade unions in the areas in which you are working. Have you got any relationships with the trade unions here in the UK?

Mr Davidson: Obviously we have within our own employment.

Q103 Mr Davidson: That is not what I meant.

Mr Davidson: In a number of cases we have had representatives from trade unions going on some of our overseas programmes, yes.

Q104 Mr Davidson: You have had individual trade unionists?

Mr Davidson: Yes.

Q105 Mr Davidson: But there is no systematic approach to the trade union movement here at all which might help you build links with trade unions abroad?

Mr Davidson: No, I do not think I could claim that we have a systematic relationship with the trade unions abroad.

Q106 Mr Davidson: You have sought sponsorship from a variety of business groups, have you ever sought any sponsorship from trade unions at all?

Mr Davidson: Not that I am aware of, no.¹¹

Q107 Mr Davidson: Can I ask a question in terms of Connecting Classrooms on page 12. I have got schools in my area which are involved with yourselves and they very much welcome what you have been doing, but the breadth of the schools altogether, how representative are the schools you are dealing with in the UK of schools in general?

Mr Davidson: Off the top of my head I do not have a figure, but my understanding is the vast majority of them are state schools. Our intention is that we should make an offer to every school in the country over the next five years.

Q108 Mr Davidson: Whilst saying states schools are better than the alternative of there not being state schools, perhaps that is not sufficient. Do you have any information about the level of examination passes? There are social class links with examination passes and I want to be reassured that you are approaching schools which are, again, representative of the community as a whole and that the schools in my area are not just simply an exception.

Mr Davidson: I believe we are. We are undertaking a research programme with Ofsted at the moment to look at the range of schools with whom we are working and to make sure they are truly representative. Anecdotally, with our international schools awards, I myself presented school awards to schools in Moss Side and schools in other deprived areas, including inner London, and the impact of an international agenda in those schools has been quite remarkable.

Q109 Mr Davidson: I think it is undoubtedly right that there will be individual examples, but what I want to be clear about is whether or not that is the exception or that they are getting a fair opportunity.

¹⁰ Ev 18

¹¹ Ev 19

British Council & Foreign & Commonwealth Office

Your business in terms of English teaching, where are your main competitors from? I want to follow that on to the extent to which you have been able to establish a link between the amount of money and effort you are putting in to promote English with the numbers of those young people going on to higher and further education in the UK as compared with what other countries are doing. Firstly, who are our main competitors in these areas?

Mr Davidson: It obviously varies very much from country to country. There is a range of competitors from the UK but the two largest are Bell International and International House, and there are a number of American teaching schools, but in most countries the most significant competition is very local providers of English language teaching of very variable quality; some are excellent and some are really not very good at all.

Q110 Mr Davidson: In terms of transforming the links from learning English into people going off to learn in the UK at graduate and post-graduate level, who are our main competitors there?

Mr Davidson: In terms of the countries who are receiving students, the most significant competitors are the United States and Australia but, growing very rapidly, France and Germany. Both French and German universities now teach in English and they have been quite successful in attracting students from overseas to those courses.

Q111 Mr Davidson: Why are they being more successful? Are they giving cheap offers?

Mr Davidson: I am not sure I would say they have been more successful, the growth of student flows into the UK has been very considerable but the competition has grown. Both Germany and France have made significant efforts, they have created new organisations to specifically market their education overseas, they have started courses in English in direct competition with ours, so while the overall size of the market globally is growing the competition is growing extremely quickly as well. So the truth of the matter is that our market share of the total overseas student market probably has stagnated if not dropped slightly given the range of new competitors coming into that sphere.

Q112 Mr Davidson: What should we be doing to ensure that our share of the market either maintains as a minimum or rises? Have these points already been put to the Foreign Office?

Mr Davidson: There have been some extensive discussions on how we can develop the market, in particular through the Prime Minister's Initiative, the first of which ran from 1999 to 2005, and the second programme is running at the moment. The difference in the two programmes is that the first programme was very much about attracting students into the UK, the second programme is about developing a wider range of links including attracting students to the UK but also transnational education providing British courses in universities overseas, developing stronger links between universities in this country and overseas, and indeed

looking at persuading British students to also study overseas in greater numbers than they are at the moment.

Q113 Mr Dunne: Mr Davidson, on page 7 there is a box which talks about the objects of the British Council. I see the Council is registered as a charity. Do the objects in Table 2 equate to the charitable objects or are they a different set of objects?

Mr Davidson: The objects in the table are the same as our charitable objects.

Q114 Mr Dunne: Is charitable status important to the British Council and, if so, could you explain how and why?

Mr Davidson: I think charitable status is important to us and that is not simply financially. I think it provides us with a presence overseas and a sense of an organisation which is delivering public benefit rather than private benefit, which is important to many of those individuals who work with us overseas and is in some circumstances important to governments as well.

Q115 Mr Dunne: Is it important financially?

Mr Davidson: I do not think it is critical financially. Clearly there are advantages in not paying corporation tax but most of our activities globally, for example education, in most jurisdictions would not be taxable. For me it is not purely financial, it is also that sense of an organisation delivering public benefit which is most important.

Q116 Mr Dunne: Is charitable status secure under the new Charities Act arrangements?

Mr Davidson: Obviously we have looked very closely at the Charities Act. We have had conversations with the Charity Commissioners, we have also been looking with our charity lawyers to see what implications the Act has on us. We believe we are certainly able to meet the public benefit test included in the Act.

Q117 Mr Dunne: Is it the only organisation largely funded by the Government which has charitable status which you are aware of? Are there other parallels?

Mr Davidson: I think the other organisation which is of comparable size to us is the Arts Council for England, which has charitable status.

Q118 Mr Dunne: But the Arts Council does not have any direction from central Government, as we heard here in this Committee earlier this month, as to its priorities, whereas you do.

Mr Davidson: I do not think we do have direct direction. The operational independence of the British Council is a very important principle. It was a principle which was reinforced by Lord Carter in his report two years ago. Mr Luck has referred to that operational independence. So the decisions that the British Council take about where we work, how we work and what we seek to achieve are taken by the British Council's board and nobody else.

British Council & Foreign & Commonwealth Office

Q119 Mr Dunne: What role does the Foreign Office play in setting priorities and in governance?

Mr Davidson: In terms of governance, the Foreign Secretary approves the appointment of the chair, the deputy chair and my appointment. While the Foreign Secretary does have the right to appoint a member of the British Council's board of trustees, he does not exercise that right and there is no trustee from the Foreign Office. In terms of the relationship between the British Council and the Foreign Office, as I say, the operational independence is for us a very important principle but clearly we recognise that we draw significant sums of public money to deliver a broad public benefit for the UK and, in deciding where we are going to work and the range of work we are going to engage in, we will take note of where the UK's broader international benefit lies. But that seems to me to be entirely an appropriate recognition of the environment in which we are working.

Q120 Mr Dunne: Turning to the income you generate from exams, could you clarify for us the relationship that you have with existing British exam boards and the extent to which you are complementary or compete? I understand you have essentially a joint venture arrangement with Cambridge University, is that right?

Mr Davidson: We have joint ownership with Cambridge of the one exam, which is the IELTS examination, which is this tripartite arrangement with ourselves, Cambridge University and IDP. That is the only examination where we have a direct interest in the exam itself. Otherwise, we provide a service to British examination bodies and make that available to all examination bodies. So in various different markets and different countries we certainly support Cambridge examinations, we are a significant deliverer of the ACCA examination, we deliver examinations on behalf of other examination bodies including Edexcel and City & Guilds, and we provide a service for individuals who are wanting to take examinations where we might have had a direct relationship. So, for example, with individual leader universities, if someone is wishing to take university exams then we would offer that facility as well. Also in certain markets, in particular markets like Pakistan, we deliver a significant number of IGCSEs.

Q121 Mr Dunne: In Gaza, I think you said, you have recently had a facility torched. In aligning with Government's strategic priorities, obviously finding a settlement to the Middle East difficulties is an important one. I was in Gaza last autumn and went round schools which were run by the UN. Have you given any thought to taking a more proactive role in areas like Gaza or the West Bank or some of the refugee camps in Syria or Jordan?

Mr Davidson: We have offices in Gaza, Ramallah and East Jerusalem; we also have offices in Damascus, Aleppo, Beirut and in Tripoli. So we do have offices across the region, and areas of work like support to schools, support to English language, but most particularly important, providing the

opportunity for young people in those regions to have access to the outside world is very much the core of our role.

Q122 Mr Dunne: But you do not consider extending your role into running schools, either with support from the UN or the British Government?

Mr Davidson: We have not considered that, no. I am not sure I would feel we had the skills in the organisation to be able to run effectively basic schools.

Q123 Mr Dunne: But you do run schools. I am very surprised that my colleague, Mr Davidson, did not pick this up because it follows the line of questioning he was going down. On page 21, in Figure 10, it says you run a fee-paying school in Spain and have since 1940, so you run a private school in Spain—

Mr Davidson: We do.

Q124 Mr Dunne: --- but you are not prepared to consider running schools in parts of the world which are closer to Britain's strategic priorities?

Mr Davidson: We run one school as an organisation and it has been a school which we have run since 1940.

Q125 Mr Dunne: Sorry, so you do not still run it? You do still run it?

Mr Davidson: We do still run it, yes, we do. It is a school which we have historically run for over 65 years but it is very much *sui generis*, it is very much a one-off, and it is not a method of cultural relations which we would see ourselves necessarily wishing to repeat elsewhere.

Mr Dunne: Thank you.

Q126 Chairman: I am a great enthusiast for the French Government system of having a French Lycée in every capital city. It has been enormously influential in spreading French culture and ethos around the world and creating a cadre of people who understand the French language. I went to the Lycée for a time in London, all my children have gone there, it has an all-ability intake and heavily subsidised fees. You mention this school in Madrid but it has always been a mystery to me why you have not created all-ability schools around the world. It is one thing to summon in young people for a few English classes, but if you can get them young, like the Jesuits, you can get them on your side forever. Why have we never developed the equivalent of French Lycées around the world funded by the British Council? They would be hugely over-subscribed.

Mr Davidson: We at one point did look at the possibility of expanding our schools operation. I think it is one of those stables where the horse has now bolted.

British Council & Foreign & Commonwealth Office

Q127 Chairman: What do you mean?

Mr Davidson: There are a large number of British schools now in different parts of the world.

Q128 Chairman: A lot of them are quite expensive to get into. They are very much more for the elite, the international elite. I would have thought creating an all-ability intake, heavily subsidised schools, as the French do, would do so much for British culture and extending British influence around the world.

Mr Davidson: I do not disagree. As far as I am aware, I am not sure that the resources are going to be available. The amount of money the French put into their lycées are very, very considerable and they are based upon the right of French people anywhere in the world to get the same education as they would get in France.

Q129 Chairman: That is not a bad idea, surely? Certainly in the Lycée in London, a third of the people there traditionally are French, a third international and a third English. You could create a similar system around the world so that English people working abroad would have the ability to go to an English comprehensive school and it would also be for local people to come along as well.

Mr Davidson: We simply do not have the resource which is attached to the lycée system in France, which is exactly the same as the *per capita* support given to them as if they were in France. That simply is not the case.

Q130 Chairman: You think it is a good system, do you?

Mr Davidson: I think it has the potential to be very powerful but at the moment I am not sure I see the—

Chairman: That is the best sort of “Yes” one is ever going to get from a senior official! Mr Mitchell and then Mr Bacon have supplementaries.

Q131 Mr Mitchell: Of course some of the public schools have set up franchise operations in China.

Mr Davidson: Yes, they have.

Q132 Mr Mitchell: I wish them luck with the Chinese upper classes, they are as useless at business as ours. My question is about higher education because there is intense competition now between higher education systems in different parts of Australia, Canada, New Zealand and us and between individual institutions. The Grimsby Institute has developed a lot of very fruitful contacts with China, with Chinese people coming here and some of ours going over there. This is obviously good business and a flourishing opportunity. Why are you only working with it in India, as we have seen from the Report? Why are you not providing a service for them which operates through you, rather than having to set up their own contacts and sending their own expeditions over, and then you can charge them a fee for it?

Mr Davidson: We do do precisely that. We have a service which we offered to—

Q133 Mr Mitchell: Just in India.

Mr Davidson: No, globally. It is not in every single country—

Q134 Mr Mitchell: The Report instances India.

Mr Davidson: The Report has one particular instance in India but we do have a programme, it is called the Education UK Partnership and individual institutions are members of that, and it is everything from higher education, further education and language schools. I am pretty certain, but I will check, that Grimsby is a member of that and will be drawing upon support from the British Council. It would be foolish for me to pretend it is just the British Council which drove the increase in numbers in China, but I personally was there in the mid-90s when we had only 1,500 students coming to this country and I was told by institutions there was no market there. Through the efforts we have made with those institutions we now have 60,000-odd students coming to this country. The same is true with a whole range of partners.

Mr Mitchell: Thank you.

Q135 Mr Bacon: I was very pleased by your answers on the Customer Relationship Management points in the Report, because when I first read paragraph 3.16 which talks about things you could not do I thought I was going to read, “Oh my God, here comes another dreadful IT project”, but instead I found you had spent very little money and you were very sceptical, which I have to say warmed the cockles of my heart. I would like more answers like that and your scepticism, I suspect, is well justified. Indeed, when you say the requirements are not well defined, it says that one of the risks to it is that user take-up may be slow, well if they have not got something people want plainly it will be slow. Is it possible, and it mentions in 3.15 that various Excel databases are in use, that if you are slow enough—as in paragraph 3.18, “. . . if the Council does not soon define a corporate solution, regions will develop their own . . .”—but keep on pumping out good advice, for example, sensible, really useful templates of all the things that anybody would want to know on an Excel database, you can get basically more or less where you need to go without spending any serious money at all? Or is your business too big for that?

Mr Davidson: I think there would be real benefits, as I think Mr Burstow pointed out, if we were able to draw on data across the whole world, but I do not want to spend millions of pounds to be able to do that. That is why our pilot programmes are looking at what it is we need to know, what it is our customers want to know from us, and to what extent we are going to be able to stay in touch with them and how we build a sufficient understanding which allows us to have a long-term relationship. It is not a one-size-fits-all, either in terms of the type of people we are working with or indeed different parts of the world, and different cultures have completely different approaches as to how they want to stay in touch with big organisations like ours.

 British Council & Foreign & Commonwealth Office

Q136 Mr Bacon: Thank you. I am sure you have come briefed for this question, which is about your font. You spent £50,000 on it. Apparently, according to your spokesman, you saved £500,000 and “Without a bespoke font every user and every supplier in the 110 countries we operate in worldwide would have had to have bought legal versions of Century Schoolbook and the Universe fonts previously used”. I have been counting up, I reckon I have got access to 11 legally-owned copies of Century Schoolbook and Universe knocking around on various different computers I have got, some of them in the shed, but they are all legal. Did you really need to do this?

Mr Davidson: Certainly at the time the view was that it was value for money to have this font, that it was wholly owned by us.

Q137 Mr Bacon: Was the decision taken to spend the money or was the commissioning done before you became chief executive?

Mr Davidson: The commissioning was done before I became chief executive, nonetheless I am not going to abrogate all responsibility as I was a member of the executive board which took that decision.

Q138 Mr Davidson: Can I ask a further point about the work you do under contracts. Just to clarify, what sort of work is that and can I ask whether or not that has an impact upon the general ethos of the organisation?

Mr Davidson: The sort of work we are doing under contract is generally development programmes on behalf of mainly either DFID or the European

Commission. They are critical components of our work because, particularly in parts of Africa, parts of Central and South Asia and parts of East Asia, they provide access to a very wide range of people who otherwise we would have quite a lot of difficulty in contacting. The programmes we work on are principally in the areas of education, law and development of civil organisations; those are the principal areas in which we work.

Q139 Mr Davidson: Can I just clarify the question of contracts from the EU Commission. I take the view they are generally a bad lot and I want to clarify whether or not there are any rules that they lay down that would not be applied to, say, contracts from the UK, whether you have to fly the flag, whether you have to have a logo on all the stuff. Are there any issues that perhaps imperil the concept of you being the British Council, because you are not the EU Council, or are you when you are working for them?

Mr Davidson: I am not aware of any particularly onerous obligations they place upon us other than they are extremely difficult sometimes to get repayment from. No, I think the programmes are tendered in an open way and we are very clear in applying for those tenders the conditions under which we will attempt to deliver them.

Mr Davidson: Thank you.

Q140 Chairman: That concludes our hearing. Thank you for all you do, we are very grateful for the work you do on our behalf around the world, and your staff, please thank them.

Mr Davidson: Thank you very much indeed.

Chairman: Thank you.

Memorandum from the British Council

Questions 16–18 (Mr Touhig) *The number of new teaching centres opened since 2005, and the number of planned new teaching centres. The location of each teaching centre closed down, and the reasons behind each closure.*

Since 2005 the British Council has opened a new teaching centre in Tripoli (Libya), which is already delivering strong impact and financial performance.

There are no new teaching centres currently planned for 2007–08. The focus this year is instead on the development of new business models for teaching, involving partnership arrangements with UK or overseas organisations— a deliberate policy to keep investment manageable and increase geographical/market spread in successful locations. China and India are the high priority countries for this approach.

Examples: branch in Seoul National University (March 2008); two off-site centres in Milan one in a school, one in a design college (in the last three years); new school based branch in Hong Kong (about a year ago); large contract to teach in a University in Rome (18 months ago); Egypt—Al Azhar University (2007) (NB Grant funded). Partnership teaching YLs in school satellites in Paris (expected start 2009).

Teaching Centre Closures

<i>Year</i>	<i>Centres Closed</i>	<i>Reason</i>
2005–06	Nagoya and Kyoto in Japan (remaining open in Tokyo and Osaka); Bologna in Italy (remaining open in Rome and Milan); Varna in Bulgaria (remaining open in Sofia); Kosice in Slovakia (remaining open in Bratislava); Chittagong in Bangladesh (remaining open in Dacca). Dammam Men’s Centre in Saudia Arabia	As part of a review of teaching operations which were neither delivering strategic impact nor financial returns. Closed on security grounds (keeping the Women’s Centre open, and maintaining Women’s and Men’s operations in Riyadh and Jeddah)
2006–07	St Petersburg Tel Aviv Istanbul Moscow	External pressure. Delivering neither impact nor financial returns. The British Council refocused on its wider work in English through regional projects and networks. Security grounds. External pressure.
2007–08	Budapest Baku, Azerbaijan	Delivering neither impact nor financial returns, but are strengthening our wider work in English in Hungary and North and Central Europe. Following the loss of a business-critical corporate contract but are strengthening our overall English programme within the region

Questions 56–58 (Mr Burstow) *The number of new contacts the Council makes each year, and if there are any figures on the potential number of contacts missed each year*

In 2007–08 the British Council had direct contact with 16 million people. As the National Audit Office report identifies, we do not have a global Customer Relationship Management tool so do not have central information on the numbers of new contacts added to our databases around the world. We have established a CRM pilot in China one of our priority regions to enable us to develop a common approach. In China we had engagement with an additional 2.3 million people in 2007–08.

Similarly we do not hold central information on missed contacts. We do monitor customer service through quarterly mystery shopping exercises and publish customer satisfaction scores in our annual report. However, we recognise there is a need to improve customer service standards and will be giving priority to achieving a measurable improvement in the quality of service delivery throughout the British Council through our Customer Service Excellence project.

Question 99 (Mr Davidson) *The proportion of Indians the British Council work with who could be classed as “rich” and “poor.”*

The British Council teaches English to 6,500 students per year in Delhi focusing on young professionals. This is a small number, as internal analysis of the market for our products outside Delhi suggest around 4.2 million could be interested. However face-to-face teaching is only part of the English-language programme.

Our wider English-language activities are developed for, and reach, the broader population, particularly schoolchildren. A year ago we initiated a project to extend our English work on a much larger scale to reach wider socio economic groups.

To date the British Council:

- (i) has established a cascade teacher training programmes in support of the ambitions of the 28 states to improve the level of English in the state sector (four states engaged with us so far). Through this programme, and through on-line resources for teachers we aim to recruit “master trainers” who will, in turn, train 750,000 teachers of English over the next five years
- (ii) is working in West Bengal—in partnership with the State Government—with 150,000 school teachers and the number of primary school children is 3.3 million. We expect to develop materials for all five levels at primary school and therefore it will involve a total of 15 million primary school children by March 2009;
- (iii) has started to look at how it can deliver lower-cost language tuition in 2nd and 3rd tier cities. This is likely to involve partnering with Indian entrepreneurs, and using Indian teachers of English who are trained and qualified;
- (iv) has responded to the need for better English in the recruitment of employees into the ITES/BPO sector by offering consultancy to those sectors on improving language testing, language improvement and cultural awareness skills;
- (v) is working in Andhra Pradesh with 60,000 high school teachers; and
- (vi) has put a Learn English Professional website, a British Council global product, onto the Infosys website (a large Indian IT company) for its 89,000 employees.

Questions 101–106 (Mr Davidson) *Details of any British Council work with Trade Unions overseas, and how many T1/T2s are involved in Trade Union work?*

The British Council has long established links with Trades Unions in the UK and seeks Trades Union representation on its programmes. For example, senior trades union members have attended 12 out of the 13 annual British-Italian politician and policy maker conferences (known as Pontignano) since 1995.

Delegates have included Jack Dromey, Kay Carberry and Brendan Barber. In addition, British Council Egypt, and the General Federation of Trade Unions, offer Chevening scholarships for young Egyptians to study at on the International Labour and Trade Union Studies programme at Ruskin College.

Questions 95–97 (Mr Davidson) *The number of senior managers in the British Council who went to Oxford and Cambridge*

20% (one of five) of the British Council’s Executive Board went to Oxford and Cambridge, and 25% (three out of 12) of its regional directors.

16 July 2008