House of Commons
Foreign Affairs Committee

The Work of the British Council 2008-09

Second Report of Session 2009–10

Report, together with formal minutes, oral and written evidence

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The Foreign Affairs Committee

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Conclusions and recommendations

Performance in 2008–09

1. We conclude that the change in extent of data provided and the presentation of that data in the British Council’s 2008-09 Annual Report makes it more difficult to track the Council’s performance over a period of years and evaluate it. We welcome the inclusion of narrative case studies as a means of illustrating the Council’s work, but conclude that some of the space devoted in the latest report to photographs, and to gimmickry such as half-sized pages and pages with holes cut in them, could be devoted in future to hard information and statistics. We recommend that in future the Annual Report should include fuller performance data, including corporate performance scores and reach, to facilitate year-on-year analysis. We further conclude that the Council should re-instate the use of pie charts to demonstrate country share of regional income. (Paragraph 8)

2. We conclude that the recent decline in some of the scores achieved by the British Council in relation to quality of service, particularly in that relating to engagement with decision makers and senior influencers, gives cause for concern. We recommend that, in its response to this Report, the Council should set out the steps it is taking to investigate the reasons for these declining scores, and give its view of the implications of these trends for future Council policy. (Paragraph 17)

3. We conclude that the disaggregation of the British Council’s overall customer satisfaction score into individual scores for “meeting expectations” and “quality of delivery” is to be welcomed. We also welcome the introduction of the new advocacy measure, and recommend that the advocacy rating achieved in each region be reported in the Annual Report. We further conclude that the gap between the scores for level of satisfaction with engagement and for willingness to advocate working with the Council requires further investigation. We recommend that the Council investigate further the reasons for this gap, and report its conclusions in its next Annual Report. (Paragraph 22)

4. We conclude that the British Council’s continued commitment to the western Balkans, despite its overall shift in focus away from Europe, is to be welcomed. (Paragraph 30)

5. We recommend that the British Council should monitor carefully the trend in engagement and customer satisfaction levels in Russia and North Europe. While we recognise that, given the strategic shift in resources, some decline in both measures provided may be expected, it is important that there be no decline in the quality of the services which continue to be provided in this region, to Russia in particular. (Paragraph 34)

6. We conclude that the British Council’s refocusing of priorities which has resulted in increased investment in China, following its categorisation as an emerging economy and therefore a priority region, is to be welcomed. (Paragraph 40)
7. We conclude that the growth in customer satisfaction levels in the British Council’s priority countries and regions is to be welcomed. This is an encouraging indication that the Council’s efforts in refocusing its priorities and restructuring its services are bearing fruit. (Paragraph 48)

Challenges

8. We conclude that the lack of progress towards a Cultural Centres Agreement in Russia is regrettable, and recommend that the Government and the British Council continue to seek a resolution to this long-standing issue. We further conclude that the Council’s success in pursuing alternative activities in Russia is to be welcomed and recommend that it is given a high priority. (Paragraph 57)

9. We recommend that the FCO take all steps necessary to support the British Council in its efforts to resume its important work in Iran. (Paragraph 59)

10. We recommend that the FCO support the British Council’s efforts to re-establish itself in Zimbabwe. (Paragraph 61)

Administration

11. We welcome the report on the Council’s progress in implementing NAO suggested reforms. We recommend that progress should be reported in the Council’s next Annual Report. (Paragraph 67)

12. We conclude that 2009-10 will be a difficult year for the British Council and that further cuts in staff and services may be unavoidable. In these circumstances it is important that the Council concentrates its activities on its core business and key objectives. We recommend that the FCO should supply us with the British Council’s statement of its priorities in allocating scarce resources, in its response to this Report. We further recommend that the Council should update us with information relating to any proposed cuts in services required in order to meet the £11.8 million gap which it has identified in its planning for the next financial year. (Paragraph 78)
1 Introduction

1. The Foreign Affairs Committee has conducted an annual inquiry into the FCO’s expenditure plans and wider administrative matters since 1981. In 1991, Government departments first began publishing annual departmental reports setting out their work for that year and expenditure plans for the future. Since that time the Committee, like most other departmental select committees, has used the relevant Department’s reports as a basis for its scrutiny of the Department’s administration and expenditure. We also scrutinise the work of the non-departmental public bodies associated with the FCO, the British Council and the BBC World Service. In previous years, we have considered the annual reports of both organisations as part of our over-arching inquiry into the Foreign and Commonwealth Office’s Departmental Annual Report. This year, we decided to publish separate reports on the work of the British Council and BBC World Service.

2. The British Council is the UK’s international organisation for educational opportunities and cultural relations. Its purpose is to “build engagement and trust for the UK through the exchange of knowledge and ideas between people worldwide.” As well as education, it runs programmes in the arts, science, sport, governance and English language from 110 countries and territories worldwide.1 2009 marked the 75th anniversary of the establishment of the Council. It receives Grant-in-Aid from the FCO for its public diplomacy activity: £209 million 2008–09, a 6% increase from 2007–08.2 The full-year grant income included a one-off £6 million ‘Foreign Exchange Compensation Allowance’ given by the FCO as partial relief against the impact of currency movements. Grant income represents approximately 32% of total income. For every £1 of government grant the British Council receives, £2.21 is earned from other sources.3

3. The British Council’s Annual Report was published in July 2009. We took oral evidence from Martin Davidson, Chief Executive, Gerard Lemos, Acting Chairman, and Sue Beaumont, Regional Director Near East and North Africa, on 4 November 2009 and also received written submissions.

Activities in 2008–09

4. In 2008–09 the British Council carried out projects and programmes in over 100 countries. It also managed 14 contract programmes, each worth over £3 million, along with many smaller projects. In its memorandum the Council highlighted a range of activities undertaken in 2008–09 which it said achieved “real success and impact for the UK while responding to the global economic downturn”.4 These activities included:

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1 www.britishcouncil.org
2 British Council, Annual Report 2008–09, p. 95
4 Ev 10
• 2,700 international school-to-school partnerships; teaching English to more than 300,000 people, generating £262 million income (a 30% increase on last year (2007–08));

• delivering 2 million UK examinations and qualifications—earning £42 million in exports for UK exam boards; working with the state school system in West Bengal to improve English-language teaching for over 3 million young learners;

• showcasing the best of the UK’s creative and cultural talent at the Venice Biennale, supporting the focus on India at the London Book Fair and nurturing new talent in the UK’s creative economy through the Young Creative Entrepreneurs programme;

• improving educational and health outcomes for over 500,000 young people through International Inspiration, the 2012 sporting legacy programme.5

2 Performance in 2008-09

Performance against targets

5. The British Council’s Annual Report sets out progress made towards objectives set in the Corporate Plan for 2008-09. The Council measures its performance against its own objectives rather than directly against the FCO’s strategic priorities. In 2008–09 it focused on i) impact; ii) audience; and iii) levels of satisfaction. All scores are reported out of 100, a feature which the Committee has welcomed in the past as making the results easier to interpret.6 A corporate scorecard is used to track the scope, scale, quality and impact of the performance of customer-facing activities.7

6. As in its previous two annual reports, the British Council’s 2008-09 report is structured into global regions. There are narratives of activity, accompanied by regional performance, audience and income scores. However, unlike the 2007–08 report, regional reach and corporate performances scores are not listed.8 In the 2007–08 Annual Report, the British Council returned to the use of pie charts to demonstrate country share of regional income in line with the Committee’s previous recommendation.9 However, these pie charts are absent from the 2008-09 Annual Report.

7. The Council’s 2007–08 report stated: “From 2008 we will measure the impact of what we do over a longer period of time, drawing on both qualitative and quantitative data of customer experiences after our engagement with them. Evidence will track progress towards larger and more strategic changes that have made a difference to individuals, institutions and their understanding of the UK”.10 The Council argues that the best
demonstration of the difference its work makes lies in concrete examples drawn from the outside world. Its latest annual report therefore centres on narrative case studies.\textsuperscript{11}

8. We conclude that the change in extent of data provided and the presentation of that data in the British Council’s 2008–09 Annual Report makes it more difficult to track the Council’s performance over a period of years and evaluate it. We welcome the inclusion of narrative case studies as a means of illustrating the Council’s work, but conclude that some of the space devoted in the latest report to photographs, and to gimmickry such as half-sized pages and pages with holes cut in them, could be devoted in future to hard information and statistics. We recommend that in future the Annual Report should include fuller performance data, including corporate performance scores and reach, to facilitate year-on-year analysis. We further conclude that the Council should re-instate the use of pie charts to demonstrate country share of regional income.

**Scale: audience**

9. The British Council measures its audience in terms of \textbf{engagement}, the target audience it interacts with on a personal basis, and \textbf{reach}, the larger audience with which it interacts online (for example, by providing lesson plans for English teachers to download) or through other broadcast means. In 2008–09 the Council engaged directly with 13.2 million people (down from 15.6 million in 2007–08) and reached a further 221 million people (up from 112 million in 2007–08) online, or through print or broadcast media.\textsuperscript{12}

10. The Council argues that the decline in the direct engagement figure since 2007–08 reflects the “development of a more robust articulation of what is meant by ‘engagement’”. On a like-for-like basis, the ‘engagement’ figures for 2007–08 would be restated as 13.8 million.\textsuperscript{13} In its written submission, the Council stated that it had suffered from the significant movements in exchange rates over the course of the last year, which had resulted in a 16% reduction in the overseas purchasing power of the government grant (£209 million in 2008–09), and that this had impacted on engagement, although the Council claims to have limited the impact to a 4% reduction in the direct engagement figures.\textsuperscript{14} In oral evidence, Mr Davidson reiterated that the redefinition of what is considered direct ‘engagement’ and the reduction in the overseas purchasing power of the organization had both contributed to the decline in the direct engagement figures. Mr Davidson stated that:

First … we have tried to apply a rather more robust analysis of engagement. We no longer include some areas we would have previously have counted as engagement … So the engagement figures are being focused very definitely into a robust exchange between the overseas audience and people from the UK. The second thing … the

\begin{itemize}
  \item \textsuperscript{11} British Council, \textit{Annual Report 2008–09}, p. 2
  \item \textsuperscript{13} British Council, \textit{Annual Report 2008–09} p. 21
  \item \textsuperscript{14} Defined as “person to person exchanges by means of British Council cultural relations programmes” \textit{British Council, Annual Report 2008–09}, p. 21. The calculation of a 4% reduction is based on this rearticulation of the 2007–08 numbers.
\end{itemize}
overseas price mechanism that the Treasury used to protect us against exchange rate fluctuation was removed … That effectively means we have had to manage a 16% reduction in the purchasing power of our overseas grant. On a pure like for like basis … although we have lost 16% of our operational money in effective terms, the reduction in the actual engagement has been only 4%. ... By focusing ourselves rather more strongly, we are reaching the individuals we want to in a more effective way and doing so at a higher level than we might have done previously”.15

11. Reach increased in all regions in 2008-09 when compared with 2007–08, apart from in East and West Africa (where it declined from 38.6 million in 2007-08 to 29.1 million in 2008–09), the Middle East (declined from 0.6 to 0.4 million) and Russia and Northern Europe (declined from 7.1 to 6.5 million).16

Quality

12. The Annual Report includes only summary data for impact, based on five corporate outputs.17 These are:

- overall assessment by senior decision makers and influencers;
- strengthening ties with the UK resulting from new or continuing engagement with the British Council;
- personal beneficial changes resulting from new or continuing engagement with the British Council;
- organisational beneficial changes resulting from new or continuing engagement with the British Council; and
- FCO assessment of British Council impact and value for money. The overall impact scores dropped in three of these five areas as outlined below.

Evaluation of Long Term Outcomes

13. The Evaluation of Long Term Outcomes (ELTO) is carried out by a sample survey in a rolling selection of countries in a region. This year, as in 2007-08, its total survey population was 1,200. The ELTO index score reflects the British Council’s impact in three areas: personal beneficial changes; organisational beneficial changes; and strengthening of relationships with the UK. In 2008–09 the Council achieved an aggregate score of 76% (77% weighted).18 In 2007–08, it achieved 78% for its ELTO score, which was 2 percentage points below the previous year. The Annual Report acknowledged “a small downward trend in the score over recent years”, and said that respondents had identified “the need to invest more in sustaining relationships beyond the life-cycle of specific activities.”
Respondents also expressed a level of concern about continuity in areas such as northern Europe, where the effects of budget prioritisation have been most apparent.19

**The strengthening of ties with the UK**

14. The score for strengthening of ties with the UK resulting from engagement with the British Council fell from 74% in 2006–07 to 68% in 2007–08. It remained at 68% in 2008–09. In evidence to us in 2008, Martin Davidson explained that this measure is “one of those pieces of evidence that vary according to what else is happening in the external world, it is not purely a reflection of the work of the British Council”. 20

**High-level decision-makers and leaders**

15. There was also a 31% decline in the number of high-level decision-makers and leaders engaged with the British Council, from 12,353 in 2007–08 to 8,535 in 2008–09. In oral evidence in November 2009, Mr Davidson said that this decline had “caused concern” and the Council was looking at the figures. He explained that this decline in engagement could be, in part, due to a refocussing of programmes—particularly the removal of funds from Western Europe and their application to Central and South Asia and the Near and Middle East. He said that “people were lost by taking the money out of Europe”, and it has taken longer than anticipated “to engage with that level of individual in those new regions”.21

**Head of Mission index score**

16. The overall FCO Heads of Mission index score, which is based on an assessment of perceived impact and value for money, was 79% in 2008–09, which although higher than the 76% achieved in 2007–08, is still significantly lower than the 87% achieved in 2006–07.22 Martin Davidson explained that the drop between 2006–07 and 2007–08 was largely caused by a decision to move towards regional working, rather that to focus directly on individual countries. The figures increased again between 2007–08 and 2008–09, in part because the British Council have been able “to demonstrate the power of working regionally with a smaller number of larger programmes”.23 Martin Davidson also noted that the Foreign Office is also moving to this style of work, so the Department and its staff may now understand regionally based working “rather better than it did when we started”.24

17. We conclude that the recent decline in some of the scores achieved by the British Council in relation to quality of service, particularly in that relating to engagement with decision makers and senior influencers, gives cause for concern. We recommend

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21 Q 15
23 Q 16
24 Q 16
that, in its response to this Report, the Council should set out the steps it is taking to investigate the reasons for these declining scores, and give its view of the implications of these trends for future Council policy.

**Impact: Customer satisfaction**

18. Measurement of customer satisfaction is based on quantitative feedback from customer satisfaction surveys received from 260,000 directly engaged individuals in 2008–09 (270,000 in 2007–08). The overall customer satisfaction score remained high at 81% (compared to the previous year’s score of 80%). This score is made up of two component metrics: meeting expectations (80% in 2008–09) and quality of delivery (82% in 2008–09). Last year’s annual report only reported the overall figure, but indicated that the 2008–09 report would note both component figures separately.

19. In 2008–09 the British Council introduced a new advocacy metric—a measure of the willingness of directly engaged audiences to recommend working with the Council. The British Council have adopted this measure as it is an “industry-standard way of thinking about how effective an organisation is”. The rating is reported as a net figure, the difference between the proportion of the audience who are positive advocates and the percentage with negative views. While overall ratings can be negative, other world-wide organisations often report percentage figures in the range of 50-80%.

20. The British Council’s global advocacy net rating of 47% (weighted to reflect global audience engagement), was described in the Annual Report as “a baseline from which we will aim to build in future”. We queried with Martin Davidson why, although the level of satisfaction with engagement with the British Council is 81%, only 47% of those surveyed would advocate working with the Council. In response, Mr Davidson conceded that the Council had not yet “sufficiently got inside” the reasons behind its relatively low score on advocacy. He added that “there is clearly a distance for us to go” in improving results according to that measure.

21. There was wide regional variation in the net advocacy rating achieved by the British Council. The highest rating, 61%, was achieved in the South East Europe Region, closely followed by East and West Africa (60%), Russia and Northern Europe (55%), Central and Southern Asia (56%) and Latin America and the Caribbean (58%). The other regions scored less than 50%, with the lowest score of 32% in the Middle East.

22. We conclude that the disaggregation of the British Council’s overall customer satisfaction score into individual scores for “meeting expectations” and “quality of delivery” is to be welcomed. We also welcome the introduction of the new advocacy score.
measure, and recommend that the advocacy rating achieved in each region be reported in the Annual Report. We further conclude that the gap between the scores for level of satisfaction with engagement and for willingness to advocate working with the Council requires further investigation. We recommend that the Council investigate further the reasons for this gap, and report its conclusions in its next Annual Report.

Performance in Europe

23. In terms of performance, Europe is divided into three separate areas: Western Europe and North America; South-East Europe and Russia; and North Europe. In previous years, the British Council’s Annual Report included both engagement and reach data for regional performance. This year’s report only included engagement, on the grounds that, as Martin Davidson told us, the Council considers that engagement is “the most effective measure of the power of the organisation”.32

24. In 2007, the Council told us that over the next two years it planned to shift 30% of Grant-in-Aid resources out of European operations and into “high priority regions for the UK”.33 Its strategy also involved retaining direct public access facilities, such as teaching facilities, only where services were paid for on a full-cost recovery basis by individual users, and instead increasing impact through more targeted partnership activity.34

Western Europe and North America

25. The British Council’s strategy in this region is to empower young people and act as an advocate for change. Grant for the region increased slightly between 2007–08 and 2008–09 (by £0.4 million to a total of £13.6 million) to account for the strengthening of the Euro against Sterling. There was a growth in overall income from £57.1 to £72.3 million, due to the success of a teaching programme which raised an additional £12 million, and a £3.4 million increase in income from examination work.

26. Audience engagement dropped sharply from 2 million in 2007–08 to 1.1 million in 2008–09. The British Council explain this reduction as being a result of the “strategic shift of focus to the priority regions of the Middle East and Central Asia”.35 Customer satisfaction fell by 1 percentage point to 76%.

South-East Europe

27. During its inquiry into the FCO’s 2006–07 Annual Report, the Committee sought and received an assurance that Grant-in-Aid income for British Council operations in Bulgaria, Romania and Turkey would be maintained and that it would increase for the Balkans.36
This assurance in relation to the Balkans was repeated by the then Chairman, Rt Hon Lord Kinnock in evidence to us last year. He said that the Council “recognised the acute strategic significance of the area”\(^{37}\). Again, in 2009, Martin Davidson repeated the British Council’s commitment to these countries: “there is a very clear distinction to be made between western European countries and those new accession countries, the immediate European neighbourhood and the west Balkans”\(^{38}\).

28. The British Council’s work in this region focuses on “building a secure neighbourhood for a globally competitive Europe”. Grant increased by £0.5 million in order to ensure the delivery of programmes, given the strengthening of the Euro against Sterling during 2008–09. Overall income increased by £1.4 million owing to examinations work. Audience engagement increased from 1 million to 1.4 million between 2007–08 and 2008–09, and customer satisfaction remained steady at 83%.

29. Martin Davidson described the western Balkans as a “difficult area to operate in”\(^{39}\). He noted that the British Council faced some criticism for closing its library in Belgrade, but added that two new libraries had been opened, one in Novi Sad and the other in Kragujevac. This move out of large centres in capital cities alone into a wider range of services to a broader range of people in the second and third tier cities, he indicated, was “a continuing part of our strategy for the region”\(^{40}\).

30. We conclude that the British Council’s continued commitment to the western Balkans, despite its overall shift in focus away from Europe, is to be welcomed.

**Russia and North Europe**

31. Grant for this region has decreased in line with the corporate shift of resources to geographical priorities and the reduction of the British Council’s presence in Russia during 2008–09. The FCO grant fell from £16 million in 2007–08 to £12.1 million in 2008–09. Income also decreased from £11.2 million to £10.6 million as the British Council no longer carries out any income-generating activity in Russia.

32. Audience engagement fell by 0.3 million to 0.7 million, but the British Council states that “rich interaction ensures that we engage with fewer people but these ‘champions’ go on to achieve great things”\(^{41}\). However, customer satisfaction dropped by 2 percentage points to 81%. In response to the perception of a reduction in the quality of service, Mr Davidson explained that the Council had taken a deliberate decision to withdraw from some places where it previously had a presence, and that some services, which were free in the past, now incurred a charge, and as a result some reduction in satisfaction levels was inevitable.\(^{42}\) He added that the Council was not complacent, and that it “must focus on

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38 Q 20
39 Q 20
40 Q 20
41 British Council, Annual Report 2008–09, p. 81
42 Q 17
ensuring that the service provided meets the needs and expectations of those with whom the Council are working”.43

33. Other major changes have been made in this region. On 1 July 2009 the Council closed its contact point in Kharkiv, Ukraine; in future it intends to work directly with partners in the city and through online sources. The Council said that it remained “committed to working in Ukraine and building understanding and links between our two countries. We continue to assess how best to meet the needs of our customers and partners in Kharkiv”.44

34. **We recommend that the British Council should monitor carefully the trend in engagement and customer satisfaction levels in Russia and North Europe. While we recognise that, given the strategic shift in resources, some decline in both measures provided may be expected, it is important that there be no decline in the quality of the services which continue to be provided in this region, to Russia in particular.**

**Performance in priority regions**

35. In 2008–09, the British Council re-focused its work to concentrate on areas where it hoped that its cultural relations agenda could make a difference. These are: **emerging economies**, including China, India and Brazil; **countries and regions with which the UK needs to build trust**, including the Middle East, Near East and North Africa (particularly Pakistan, Bangladesh and Afghanistan); and **isolated countries**, namely Burma and Zimbabwe (operations in Iran were suspended in February 2009).45

**“Emerging economies”**

**China**

36. The Committee has previously warned that the British Council should not neglect China when focusing on high-priority regions.46 The shift in the Council’s focus to include China as a priority emerging economy is therefore to be welcomed. In the past year, grant aid to China has increased by £2.6 million from £5.9 million in 2007–08 to £8.5 million in 2008–09 reflecting China’s importance as an emerging economy.47 China was one of those countries where the British Council made a decision to “try and meet some of the losses in the exchange rate”, so additional money was allocated to that end.48 The Council’s work in China has included projects in “English, education and creative lifestyles”.49 There has been significant growth in the examination business, which has resulted in an increase in overall income of £12.3 million, with a further £1 million generated from teaching work in Hong Kong.

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43 Q 17
44 Ev 9
48 Q 24
37. Despite this increase in investment, audience engagement in China fell from 3.6 million in 2007–08 to 1.3 million in 2008–09. The Annual Report attributes this decline partly to the fact that the Council “have become more stringent in the way that we measure numbers” and partly, “because we are focusing on the quality of our engagement with contacts”. China is one of those countries where the Council wanted to “re-base” the evaluation data. This strategy appears to have been successful, as customer satisfaction ratings improved slightly from 77% in 2007–08 to 80% in 2008–09.

38. In October 2008 Mr Davidson told us that “the problem with China is always that very large numbers are not difficult to come by, and it is really about the quality of engagement that we are constantly asking”. The Council is therefore focusing its services on areas where there is a direct impact on individuals, rather than a “knock-on impact” on wider numbers. One example is the Climate Cool programme, which is working with the Chinese Government, developing a climate curriculum for schools. This has involved around 1,000 teachers and approximately 700,000 Chinese school children. In terms of performance data, the Council will only count the 1,000 teachers with whom it has had direct contact as engagement, and the 700,000 school children were now classified as “reached”, not “engaged with”.

39. The British Council has set an ongoing target of 10% of a particular cadre of people, for example 16-20 year olds who want to learn English. Given China’s population, it will be “inevitable” that if the British Council wants to be effective in China, and to succeed in China, it will have to operate through online and electronic means.

40. We conclude that the British Council’s refocusing of priorities which has resulted in increased investment in China, following its categorisation as an emerging economy and therefore a priority region, is to be welcomed.

India

41. In India, the British Council’s focus has been on educational and cultural co-operation in order to build relationships. For regional performance purposes, India and Sri Lanka make up a single region. There has been a slight increase in grant aid to the region, from £6.5 million in 2007–08 to £6.9 million in 2008–09. The increase in overall income is a result of the success of the examinations business (£4.7 million). Audience engagement increased from 1.8 million in 2007–08 to 2.5 million in 2008–09, while customer satisfaction has slightly increased from 81% in 2007–08 to 82% in 2008–09.
Latin America and the Caribbean

42. Grant in Latin America and the Caribbean has remained steady (£9.1 million in 2007–08 and 9.2 million in 2008–09) in order to offset the weakening of Sterling.55 A third of the regional grant goes to Brazil, in line with geographical priorities and its identification as an emerging economy. Overall regional income is growing as a result of increased income from English language teaching (£1.1 million) and examinations (£0.3 million).

43. One large-scale project increased audience engagement from £0.4 million (2007–08) to £0.8 million (2008–09). This was the successful pilot of the International School Leadership Award in Brazil and Mexico, as part of the Connecting Classrooms global project which aims to motivate school leaders to embed internationalism in their school culture. Customer satisfaction in the region increased from 81% to 83%.

“Countries and regions with which the UK needs to build trust”

Middle East

44. Grant aid to the region has increased in line with corporate strategy from £7.5 million in 2007–08 to £9.1 million in 2008–09. Overall income has increased from £17.9 million to £23 million, owing to teaching work throughout the region (£2 million) and examinations work (£3.2 million).56 Overall engagement with customers has increased by 17% compared with 2007–08 (0.6 million to 0.7 million), with a significant contribution coming from English language teaching centres and examinations, where the British Council engaged with almost 73,000 people. Customer satisfaction levels marginally increased from 77% in 2007–08 to 79% in 2008–09. Sue Beaumont attributed this to a conscious effort on the British Council’s part “to engage more people in different areas—all marginalised areas”.57

Near East and North Africa

45. There has been a significant increase in grant to the Near East and North Africa in line with corporate priorities, from £8.6 million in 2007–08 to £10.9 million in 2008–10. There has been a £1.9 million growth in overall income as a result of a rise in English teaching, primarily in Libya (£0.8 million), Egypt (£0.3 million) and Jordan (£0.3 million). Engagement with customers has steadily increased over the past three years, with a 20% rise in 2008–09 from 1 to 1.2 million. Customer satisfaction levels remained high at 80%, compared to 79% in 2007–08.58

Central and South Asia

46. There has been a substantial increase in grant to Central and South Asia in line with a corporate shift in resources, from £7.6 million in 2007–08 to £9.5 million in 2008–09. In particular, there has been a £1 million increase in the grant to Pakistan. There has been a
rise in overall income as a result of £5 million growth in examinations work, primarily in Pakistan (£2.2 million), Bangladesh (£1.6 million) and Nepal (£1.2 million). Customer satisfaction increased from 80% in 2007–08 to 84% in 2008–09.\(^{59}\)

47. In October 2008, Martin Davidson told us that this was a “complex and difficult” region. He said that the Council planned to “grow engagement figures from slightly under 1 million to 2.5 million over the coming years”.\(^{60}\) However, the overall audience engagement figure fell from 0.9 million to 0.8 million in the reporting year. The Council explained this as “reflecting our focus on building stronger relationships with leaders and influencers” and because of the enforced suspension of the operation in Iran in February 2009 (see paragraph 58).\(^{61}\) In November 2009, Martin Davidson told us that the decline was, in part, a result of the closure of the office in Iran in January 2009, but also reflected the “rebasing” of the Council’s activities in Central and South Asia.\(^{62}\) Sue Beaumont explained that in Pakistan the Council has focused on fewer programmes, which have affected some of the engagement figures.\(^{63}\) She added, that as a result of this refocusing, the Council is reaching far more young people, for example, through the schools linking programme.\(^{64}\)

48. We conclude that the growth in customer satisfaction levels in the British Council’s priority countries and regions is to be welcomed. This is an encouraging indication that the Council’s efforts in refocusing its priorities and restructuring its services are bearing fruit.

“Isolated countries and regions”

East Asia

49. Grant to East Asia has been increased to cope with the effect of the weakening of Sterling to enable the delivery of regional programmes. There has been a significant growth in the overall income levels for the region from £32.9 million in 2007–08 to £42.3 million in 2008–09. This is a result of an increase in income from teaching (£4.3 million) and examinations (£2.2 million). In Burma the total income doubled from £2 million in 2007–08 to £4.2 million in 2008–09.\(^{65}\) Across the region, audience engagement decreased from 2.2 million to 1.7 million. Nonetheless, overall customer satisfaction increased from 77% in 2007–08 to 80% in 2008–09.

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62 Q 28
63 Q 28
64 Q 28
Sub-Saharan Africa

50. Grant across the Sub-Saharan Africa region has increased by £1.1 million to £20.3 million and income has increased by £1 million due to a rise in development contracts across all countries. Grant for Southern Africa also increased by £1.3 million, and income has risen as a result of development and examinations work, the latter generating £1 million.

51. Audience engagement fell from 1.3 million in 2007–08 to 1.2 million in 2008–09 (from 2 million in 2006–07). The Annual Report indicates that this reduction in audience engagement is the result of the strategic shift of focus from larger aspirant audiences to smaller groups of influencers.66

3 Challenges

Russia

52. The British Council has had difficulties with its operations in Russia for a number of years. Five years ago Russian police raided the Council’s offices, claiming it was involved in illegal commercial activity on which no tax was paid. The Council was operating in Russia under a cultural agreement signed when it first entered the country in 1994. The Russian Government had indicated that it no longer considered the agreement to be an adequate framework, but the Ministry of Foreign Affairs had repeatedly assured the British Council that it would be able to negotiate its tax status with the tax authorities as soon as a new Cultural Centres Agreement was signed. The last assurance had been made in May 2004, but the Russian authorities carried out the raid nonetheless.67

53. In 2005, the Council settled all outstanding tax claims, totalling £1.4 million, and registered itself as a regular tax payer. The case was formally closed in December 2005, but the investigation was reopened the following month, coinciding with a public attack by the Federal Security Service (FSB) on British diplomats allegedly involved in espionage and financing of NGOs in Russia.68 Those tax disputes have now been settled in St Petersburg with a final settlement of approximately £7,000 of tax payable by the British Council, which is roughly 99.5% less than the original tax demand. The Council hopes that the case in Moscow will be settled shortly.69

54. In December 2006 the Council informed us that it was closing down all language teaching in Moscow. This was due to the imposition of a licence requirement, which it had previously been told it did not need. The Council later also discontinued teaching in St

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69 Q 29
Petersburg and in June 2007, the Russian authorities demanded that the Council vacate one of its offices in Ekaterinburg.  

55. In December 2007 the Russian Foreign Minister made comments linking the UK Government’s measures following the Litvinenko murder to Russia’s treatment of the British Council. In the same month the Council decided that due to difficulties with its relations with Russia it would transfer nine regional centres and the Moscow Library to local partners. Then in January 2008, the Council took the decision to suspend all operations in St Petersburg and Ekaterinburg. Its 2007–08 report said that its staff had been “subject to intimidation and undue pressure from the Russian government” and that it had taken the decision “out of a duty of care”.  

56. In its submission to our 2007 inquiry into ‘Global Security: Russia’, the Council said that it was “continuing to seek agreement on a new Cultural Centres Agreement, working closely with the Foreign and Commonwealth Office to achieve this”. In October 2008, Lord Kinnock told us that the Council had adopted a pragmatic approach, but that progress was slow. In April 2009, the Government stated that there had been “no change in the situation on the Cultural Centres Agreement”. In November 2009 Mr Davidson reported to us that he had no information about when it would be possible to obtain a Cultural Centres Agreement, which would allow the British Council to reopen in St Petersburg. The Council states that it continues to undertake important cultural work from its Moscow office, and Mr Davidson noted that the atmosphere for cultural relationships with Russia had improved over the past 18 months. By means of illustration, he noted the support the Council gave in arranging a major exhibition of JMW Turner’s work in Moscow which ran from November 2008 to February 2009. It received over 100,000 visitors and was named the “Exhibition of the Year” by Russian critics.  

57. We conclude that the lack of progress towards a Cultural Centres Agreement in Russia is regrettable, and recommend that the Government and the British Council continue to seek a resolution to this long-standing issue. We further conclude that the Council’s success in pursuing alternative activities in Russia is to be welcomed and recommend that it is given a high priority.

Iran  

58. The Council suspended its operations in Tehran on 31 January 2009. In a statement to the BBC the Chief Executive said: “the safety and well being of staff were the British Council’s prime consideration and the organisation has had no choice but to suspend all cultural relations activities until such a time that operations can be resumed with employees able to conduct their work without fear of intimidation or harassment”. He
added that the British Council was looking for the opportunity to discuss with the Iranian authorities an agreement that would allow the Council to resume work in Iran sometime in the future.\textsuperscript{76} Martin Davidson expressed regret that “one of the saddest things of all” was that the opportunities for young people in Iran to develop links and connections with other parts of the world, have been closed down.\textsuperscript{77} Mr Davidson told us, “we stand ready when it becomes possible for us to get back to work in Iran, but I have to say I’m not sanguine about that being very soon”.\textsuperscript{78}

59. \textbf{We recommend that the FCO take all steps necessary to support the British Council in its efforts to resume its important work in Iran.}

\section*{Zimbabwe}

60. The British Council has operated in Zimbabwe since that country’s independence. In October 2008, Martin Davidson told us that the Council remained committed to its work in Zimbabwe. He noted that in current circumstances the Council is unable to expand its operations there, but that it was poised to do so as soon as the political situation improved. Future plans include working with the diaspora communities in the UK and South Africa, looking at ways in which they might be encouraged to return to Zimbabwe, and continuing to work with young professionals within the country.\textsuperscript{79} The number of young people going through the two offices in Harare and Bulawayo has risen to 60,000 over the year.\textsuperscript{80} Furthermore, the Council cited the example of a conference it arranged with the Royal Commonwealth Society in Johannesburg in 2009, which was attended by representatives of Commonwealth organisations, including civil society, local government, human rights organisations and higher education. The conference had considered ways of engaging the Zimbabwean diaspora in the reconstruction of the country. This has led to a more serious Commonwealth focus on Zimbabwe. The organisations represented at the conference are individually working with their Zimbabwean counterparts.\textsuperscript{81}

61. \textbf{We recommend that the FCO support the British Council’s efforts to re-establish itself in Zimbabwe.}

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{76} ‘British Council statement on Iran’, \textit{BBC News}, 4 February 2009
\item \textsuperscript{77} Q 32
\item \textsuperscript{78} Q 30
\item \textsuperscript{80} Q 33
\item \textsuperscript{81} Ev 15
\end{itemize}
\end{footnotesize}
4 Administration

62. The Council receives Grant-in-Aid from the FCO for its public diplomacy activity (£209 million in 2008–09). The British Council’s total income for 2008–09 increased by 14% to £645 million.\textsuperscript{82} Grant income increased by 6% to £209 million. The full-year grant income included a one-off £6 million ‘Foreign Exchange Compensation Allowance’ given by the FCO as partial relief against the impact of currency movements. Grant income represents approximately 32% of total income. For every £1 of government grant the British Council receives, £2.21 is earned from other sources.\textsuperscript{83}

63. Income from fees and services increased by 25% on 2007–2008 to £313 million and now accounts for 49% of the Council’s total income.\textsuperscript{84} This increase came from two main sources: first, strong business performance relating predominantly to higher demand for learning and educational projects, which resulted in an increase of income of £36 million compared with 2007–08. Second, over 40% of the Council’s income is denominated in non-sterling currencies, which appreciated against Sterling and resulted in a £27 million increase in income.

64. Total expenditure for the year has increased by 12% to £622 million. Net incoming resources have increased from £7 million in 2007–08 to £32 million in 2008–09.

The Value for Money programme

65. The FCO estimates that the British Council’s Value for Money programme will generate £18.2 million of savings over the period of the Comprehensive Spending Review 2007. These savings have come from the following areas:

- There has been a 30% grant reduction in the British Council’s European operations and, more widely, reductions in its physical overseas network to reflect the move to web-based service provision. In Western Europe, walk-in services are now for paying customers only. The information centres in Berlin, Thessaloniki, Vienna and Brussels have closed and centres in Portugal and Spain have merged with teaching centres. Outreach centres in Romania and Bulgaria have also been closed. Walk-in public access has closed in Israel, Estonia, Latvia, Lithuania, Hungary, Russia and Slovenia. Libraries and information provision are being transferred to partner organisations, e.g. in Ukraine and Poland.

- Savings are also being made from regional network reductions in Russia and Ukraine and from moving premises and more efficient use of office space, e.g. in Paris and Barcelona.

- An extensive review and restructuring is underway across the organisation of support services (human resources, IT, finance and facilities management). This

\textsuperscript{82} British Council, \textit{Annual Report 2008-09}, p. 95
\textsuperscript{83} British Council, \textit{Annual Report 2008-09}, p. 94
\textsuperscript{84} British Council, \textit{Annual Report 2008-09}, p. 95
will involve post reductions, process improvement and use of the British Council’s
global centres/outsourcing.

- There will be a reduction in capital works on estates.85

In January 2010, the Council indicated that it was on target to deliver the £18.2 million in
efficiency savings by the end of the current spending review period, and would make a
contribution of an additional £2.6 million in annual savings to HM Treasury’s Operational
Efficiency Programme by 2010/11.86

66. In June 2008, the National Audit Office published a value-for-money examination of
the British Council. Its report, entitled *Achieving Impact*, found that the Council’s
performance was “strong and valued by its customers”. However, the report also outlined a
number of areas where improvement was needed, particularly in the Council’s teaching
and examination business, external funding and estates management and financial
management.87 In our report on the FCO Annual Report 2007–08, we recommended that
the Council should report on its progress in implementing the reforms called for by the
NAO in its next Annual Report.88 In its response, the FCO said that it would do so in its
own next Annual Report. This information was not included in the 2008–09 Annual
Reports of either the FCO or the British Council. In oral evidence to the Committee,
Martin Davidson said that the Council “could undertake to produce a progress report by
the end of this calendar year”.89 We received this material on 21 December 2009.90

67. **We welcome the report on the Council’s progress in implementing NAO suggested
reforms. We recommend that progress should be reported in the Council’s next Annual
Report.**

**Staff**

68. The Council is currently implementing two change programmes: to group overseas
operations into 12 regions; and to modify the UK operation to make it more efficient, to
standardise project and contract management, to increase expertise and to enhance
customer service capability. The former project cost £15.9 million to introduce in the
period 2006 to 2008, and generated £8.3 million in savings over the same period. UK
restructuring was carried out without large-scale redundancies—staff numbers were
reduced from 752 to 690, mainly though a recruitment freeze and staff turnover.

69. In 2009 the Council announced a transformation and investment programme to try to
ensure efficiency and value for money and to enable it to “provide a rapid response to the
post recession world”. This programme will lead to the loss of 400 to 500 staff

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85 *FCO Departmental Report and Resource Accounts, 2008–09*, vol ii. p. 8
86 Ev 17
89 Q 3
90 Ev 15-17
(approximately a third of the UK workforce) in the UK over the next 18 months resulting in savings of £45 million. Around half of these posts are currently filled by temporary workers or consultants (some are vacant). The British Council also expect to reduce the number of overseas staff by several hundred (currently there are 6,100). The Council identified that this would be “a difficult process, involving significant restructuring, but we are convinced that our ambitions—and the priorities of the UK—will only be met by making these changes”.91

70. The proposals prompted media controversy. The Times on 29 July 2009 reported that 100 jobs at the British Council were to be outsourced to India.92 In written evidence, Martin Davidson told us:

We propose to consolidate our finance functions, currently located in five centres around the world, into one overseas centre and one in the UK. The number of finance roles in the UK is expected to be reduced to around 40 posts. Overseas, finance hubs in Mexico, India, Poland and China will be consolidated into one location—probably in India—with around 60 posts but with a net reduction of around 40 jobs overseas.93

71. Giving oral evidence, Mr Davidson added that there would also be “a reduction in the numbers of staff in our support services on the back of substantial investment in new financial services”.94 He identified a second category of job losses, described as “in some senses the more significant shift” in contracts and project work, which essentially is the capacity in the UK to manage programmes and activities. Looking at partner and other organisations to handle some of the work that previously would have been done wholly by our own staff.95

72. In response to a written Parliamentary Question, Chris Bryant MP, Parliamentary Under-Secretary of State, Foreign and Commonwealth Office, explained that the transformation programme included a proposal to consolidate the British Council’s finance functions from five global centres into one overseas centre and one in the UK. This would result in the reduction of finance staff in the UK from 98 to approximately 40, while around 40 staff would transfer overseas. Consultation on these proposals was ongoing. Mr Bryant said that the proposals did not include any plans to outsource to other companies. The overall reduction in staffing costs would be approximately £12 million a year.96 Mr Bryant also confirmed that the British Council’s redundancy Procedures Agreement had been signed with the local trade union on 12 June 2008.97 Contacts at the British Council have informally indicated to Committee staff that the deadline for applications for voluntary redundancy was 2 November 2009. There were 380 applications for that programme. The Council expect to lose 280 permanent employees, and 220 temporary and

91 Ev 14
92 ‘Union fury as civil service outsources jobs to India’ The Times, 29 July 2009
93 Ev 9
94 Q 9
95 Q 9
96 HC Deb 26 October 2009, col 66W
97 Ibid.
contractor staff. 98 In written evidence the civil service union PCS told us that it believed that cutting jobs in the current economic climate was wrong and that the decision should be urgently reconsidered. The PCS expressed doubt as to whether these changes would deliver financial benefits or savings in the long term. 99

73. The Times also reported that the British Council planned to cut 80% or 800 of its permanent staff to just 240 within five years. Martin Davidson denied that there were any proposals to implement cutbacks beyond next year, 100 and, while not being able to promise that there would be no further job losses, stated that he did “not recognise the numbers quoted in The Times as being any part of our plans”. 101

Appointment of Chairman

74. Lord Kinnock resigned as Chairman on 7 July 2009, following Baroness Kinnock’s appointment to the Government. Following approval from the Foreign Secretary, the Board of Trustees elected Gerard Lemos as acting Chairman until Lord Kinnock’s successor is appointed. The Board of Trustees have agreed the process for appointing the new Chairman. The post will be advertised publicly. The Board will then propose two preferred candidates to the Foreign Secretary, who will make the appointment. As well as being bound by the Charity Commission’s rules, the British Council is also an NDPB. The Charity Commission has insisted that the Council’s charitable status require that the Chair not be remunerated. 102

Priorities for 2009–2010

75. In its written submission the British Council said that:

The global economic downturn creates conditions with the potential for governments—and people—to adopt a more protectionist outlook and be less open to other countries and cultures. Uneven access to education and employment coupled with tension and instability in many parts of the world create risks for the foreseeable future. Increasingly resource scarcity—for example shortages of water and oil—and our interconnectedness mean learning to live sustainably will become the defining challenge of this generation. The prosperity of the UK depends on a world which is open to commerce, culture, creativity and global participation.

In this context, the work of the British Council was “more important than ever”. 103

76. Acting Chairman, Gerard Lemos, told us that the Council did not “underestimate the difficulties of the current spending climate” but emphasised the Council as a “strategic contributor to the UK economy”. 104 The British Council did not have a blueprint for cuts,
and it is not their intention to make one. However, Mr Lemos concluded that “it would be difficult for us to maintain our global footprint, to which we are very committed, if there were substantial cuts”.

77. In the FCO board minutes of December 2009, it was noted that the organisation faced a shortfall of some 8 or 9% from the budget for 2009–10. In an update received on 11 January 2010, the British Council stated that while FCO Grant-in-Aid is ring-fenced and fixed until the end of 2010–11, the Council is aware that the FCO currently faces a significant shortfall for the next financial year. The Council is therefore “examining how to fill a £11.8 million gap in our own planning for the next financial year to ensure our programme spend is maintained and that we live within our means”.

78. We conclude that 2009–10 will be a difficult year for the British Council and that further cuts in staff and services may be unavoidable. In these circumstances it is important that the Council concentrates its activities on its core business and key objectives. We recommend that the FCO should supply us with the British Council’s statement of its priorities in allocating scarce resources, in its response to this Report. We further recommend that the Council should update us with information relating to any proposed cuts in services required in order to meet the £11.8 million gap which it has identified in its planning for the next financial year.

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105 Q 35
106 Available at www.fco.gov.uk
107 Ev 18
Formal Minutes

Wednesday 27 January 2010

Members present:

Mike Gapes, in the Chair

Mr Fabian Hamilton  Mr Malcolm Moss
Mr David Heathcoat-Amory  Sandra Osborne
Mr John Horam  Mr Greg Pope
Mr Eric Illsley  Mr Ken Purchase
Mr Paul Keetch  Ms Gisela Stuart
Andrew Mackinlay

The Committee deliberated.

Draft Report (The Work of the British Council 2008-09), proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 71 read and agreed to.

Paragraph 72 read, amended and agreed to.

Paragraphs 73 to 78 read and agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

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

The Committee further deliberated.

[Adjourned till Wednesday 3 February at 2 p.m.]
Witnesses

Wednesday 4 November 2009

Martin Davidson, Chief Executive, Gerard Lemos, Acting Chairman, and Sue Beaumont, Regional Director Near East and North Africa, British Council

List of written evidence

1  E-mail from Catherine Acuna, Parliamentary Officer, British Council  Ev 9
2  Letter from Alan Gemmell, Director External Relations, British Council  Ev 9
3  E-mail from Martin Davidson, Chief Executive, British Council  Ev 9
4  Written evidence from British Council  Ev 10: Ev 14: Ev 15: Ev 17
5  Written evidence from Public and Commercial Services Union (PCS)  Ev 18
Oral evidence

Taken before the Foreign Affairs Committee
on Wednesday 4 November 2009

Members present:
Mike Gapes (Chairman) Andrew Mackinlay
Mr Fabian Hamilton Sir John Stanley
Mr Eric Illsley


Q1 Chairman: Apologies to our witnesses for keeping you waiting for a few minutes, but we had a lot of business to get through. This session is part of our annual investigation into the departmental annual report of the Foreign and Commonwealth Office. Because the British Council and the BBC World Service receive funding through the Foreign and Commonwealth Office, we have the opportunity every year to question both organisations. We’ll start today with the British Council and then move on later in the session to the BBC World Service. Mr Davidson, welcome. Can you introduce your colleagues? I think we haven’t met the acting chairman before; you are very welcome. Ms Beaumont, we saw you in Pakistan when you were working there for the British Council, so you are known to us, but perhaps you could all introduce yourselves before we begin.

Martin Davidson: Shall I introduce Gerard Lemos? As you say, Chairman, he is acting chairman of the British Council, but also has been on the board of the British Council for a very long time. Sue Beaumont, as you say, was previously our director in Pakistan, but is now our regional director for the near east and north Africa, based in Amman in Jordan.

Q2 Chairman: Thank you very much. Let me begin by taking you back to the National Audit Office’s examination of your organisation last year. What progress have you made in implementing its recommendations on value for money? Also, we understood that there was due to be a progress report on that. When is that likely to appear?

Martin Davidson: To be honest, we have not focused ourselves on publishing that. We certainly can do so, and we could undertake to produce a progress report by the end of this calendar year.

Q3 Chairman: What about the progress report from the FCO? It was indicated to us that there would be some kind of published progress report. What is happening on that?

Martin Davidson: To be honest, we have not focused ourselves on publishing that. We certainly can do so, and we could undertake to produce a progress report by the end of this calendar year.

Q4 Chairman: Thank you. We also understand that there is supposed to be some reduction in your capital works. Clearly, you have your headquarters in Spring Gardens. When does the lease expire on that?

Martin Davidson: The lease expires on our Spring Gardens headquarters in 2020, and I would make the point that it is a very favourable financial arrangement for that particular building. We are constantly looking at our global estate, and we have, over the last year, reduced the global estate by 3%. We have a wider commitment to reduce it further and we expect to be on target for doing so.

Q5 Chairman: Do you intend to try to stay in central London?

Martin Davidson: Our intention is to reduce the total number of staff in central London. As we announced earlier this year, we will be reducing the total number of staff—British Council employees—in the UK by 500, and I expect a significant proportion of those to come out of London in particular. We will be reducing most of our back-office staff in London, so we will no longer be writing cheques with staff sitting in Trafalgar Square. I would anticipate that we will require a presence in central London, but I do not at the moment know exactly what size that will be.

Chairman: I will bring Eric Illsley in on these related issues.
Q6 Mr Illsley: As part of the transformation investment programme, how many British Council staff have lost their jobs so far, and how many further voluntary or involuntary redundancies do you anticipate as part of that programme?

Martin Davidson: The programme was launched earlier this year. No staff have yet left the organisation, and we are running a voluntary early-retirement programme. That closed on Monday and we have had 380 applications for that programme. As I say, we expect to lose a total of 500 posts across the UK, but not all of those will be permanent staff; we expect some 280 to be permanent employees and the balance of 220 to be temporary and contractor staff. There will be a further loss of posts in our overseas operation, which at the moment I expect to be between 200 and 300. We are looking at a significant shift in staffing over the coming year. I expect that most of those staff will leave our employment between April and July next year.

Q7 Mr Illsley: So there will be 380 people applying for voluntary redundancy. That leaves you short of the 500 target. Do you expect to meet that by releasing temporary and contractor jobs?

Martin Davidson: Yes, we have made a clear statement to staff that, first and foremost, temporary staff will be released before we release permanent staff. I expect and hope that we will be able to meet the requirements of our redundancy programmes through the staff who have already applied for voluntary redundancy.

Q8 Mr Illsley: You will be aware of the recent report in The Times that said that there were plans for a further 240 job losses over a five-year period. You have disputed that.

Martin Davidson: Yes. We do not recognise the numbers quoted in The Times as being any part of our plans. We cannot possibly promise that there will be no further job losses, but they are not part of our planning at the moment.

Q9 Mr Illsley: Given the scale of the job losses and restructuring, presumably you have made a detailed assessment of the impact of those losses. Are you convinced that you have the capacity to continue the British Council’s role in the future?

Martin Davidson: The job losses break down into two key categories. One is our support services, and we intend to reduce the numbers of staff in our support services on the back of our substantial investment in new financial systems, which the Committee will be aware of from previous sittings. We are also consolidating our five global finance and IT hubs into one. The second, and in some senses the more significant shift, is in our contracts and projects work, which essentially is the capacity in the UK to manage programmes and activities. We believe that we can no longer continue to do that wholly ourselves, and in order to meet the demands and expectations of our growing programmes overseas, we must be able to work with other organisations.

We are looking to partner and other organisations to handle some of the work that previously would have been done wholly by our own staff.

Q10 Chairman: Thank you. Perhaps you can help me on this, Mr Lemos, or perhaps Mr Davidson can. The Chairman of the British Council, Lord Kinnock, who we got to know well when he came before us in previous years, resigned in July. Could you give us some indication about what the timetable is for the appointment of his successor?

Gerard Lemos: Yes. The process is on schedule to end, at the end of March. As you know, this appointment is governed by the public appointments process, and we are going through that in a fully compliant way. It takes a long time, but it is important to have that level of transparency and so on. Nevertheless, the intention is not to delay any longer than is necessary.

Q11 Chairman: So, you are the acting chairman until March?

Gerard Lemos: That’s the assumption that I am working on. I am ready to depart when told to do so.

Chairman: I am not trying to push you out the door. I will bring in Mr Mackinlay.

Q12 Andrew Mackinlay: The way I understand it, you’re a creature of statute at the British Council, and a charity, but you are subject to this public appointments regime. Potentially, is there not a slight problem? You have to make the decision to appoint this recommendation to your board, or your trustees select—

Gerard Lemos: It is slightly complicated.

Andrew Mackinlay: May I stop you there? I invite you to say—you might not want to do this—that it is complicated and unsatisfactory. It is neither one thing nor the other. Also, the discretion that you could have exercised in the past for having some remuneration or compensatory payment to chairpersons, is more aggravated. It is more difficult. I would like you to comment first on the statutory point and secondly on whether it could exclude persons of limited income from aspiring to the top job.

Gerard Lemos: On the statutory point, the governing edict is set out in our royal charter and that comes above everything else. We are bound by the Charity Commission’s rules and we are also an NDPB. We exist under all sorts of regimes. From day to day, this is not a problem. It does have the effect, as you rightly say, that none of the trustees or the chair can be remunerated. I do not feel particularly qualified to comment on whether that excludes people or not, but that is the requirement of the Charity Commission. The staff went through it with the Charity Commission when this process was initiated and it was very clear and insistent that our charitable status required the chair to remain unpaid. The only circumstances in which it would even consider agreeing to it being paid would be if we had run at least two unsuccessful competitions. I am afraid that is the order of the day with which we will have to comply.
Q13 Andrew Mackinlay: The paradox is, you could get paid as a chairman of the Charity Commission, so you could be working class and poor, but you could not be working class and poor and be the chair of the British Council. That is not your fault, but I make that observation. That is a matter of logic.
Chairman: Mr Mackinlay, I suggest you put down an early-day motion on that.
Andrew Mackinlay: I will do that and make the point when we come to our recommendations. In any event, there is also this perversity where you have to go through this public appointments outfit and you are presented with one name. You as trustees have got to choose them.
Gerard Lemos: No. Perhaps I can set the record straight on that. The process is being led jointly by the FCO and the deputy chair. I am obviously not involved, as that would be inappropriate. I led the process when I was deputy chair and Lord Kinnock was appointed, although it was not Lord Kinnock in those days. There are two other trustees who are also on the selection panel along with the Permanent Under-Secretary of State, Foreign and Commonwealth Office. Once they have made their selection, they will submit, in line with the public appointments rules, two names to the Foreign Secretary with a preference for one, which I would confidently expect the Foreign Secretary to accept. The trustees have been fully involved in describing the job and what they are looking for. I know the deputy chair has spoken to them all individually. I would say—partly because I have been involved with the selection of virtually all the trustees over the years—it is an extremely strong and robust group of people who will not be pushed around easily.

Q14 Chairman: No doubt we shall return to this at some point. Can I turn to your annual report and performance? You have given us some useful information about audience; how you engage with people; how wide you reach. It appears that there is a decrease in direct engagements from the previous year. It is not clear to me why there is a decrease. Is it as a result of financial pressures that you are under, is it the way that you assess direct engagements or is it a deliberate focus that you have made in the way you work?
Martin Davidson: It is a combination of all three. First, as we say in our report, we have tried to apply a rather more robust analysis of engagement. We no longer include some areas we would previously have counted as engagement. For example, attendance at an education fair would previously have been regarded as engagement for the purposes of this but no longer. We transfer that into the reach figures because we do not feel that provides a robust enough exchange of ideas with the UK. So the engagement figures are being focused very definitely into a robust exchange between the overseas audience and people from the UK. The second thing is that, as part of the last expenditure settlement, the overseas price mechanism that the Treasury used to protect us against exchange rate fluctuations was removed.
Chairman: We are aware of that. It is causing problems all over the place.

Martin Davidson: That effectively means we have had to manage a 16% reduction in the purchasing power of our overseas grant. On a pure like-for-like basis, we calculate that although we have lost 16% of our operational money in effective terms, the reduction in the actual engagement has been only 4%. We feel that by focusing ourselves rather more strongly, we are reaching the individuals we want to in a more effective way and doing so at a higher level than we might have done previously.

Q15 Chairman: In which case, why does it appear that there is a 31% decline in the number of high-level decision makers and leaders engaged with the British Council?
Martin Davidson: The reduction in high-level leaders has caused us concern and we are looking at that in particular. In part, there has been a refocusing of our programmes, most particularly the removal of the funds from western Europe and applying those in new parts of the world, particularly in central and south Asia and the near and Middle East. It has taken us longer than we originally anticipated to engage with that level of individual in those new regions. Of course, by taking the money out of Europe, we lost such people there in the first place.

Q16 Chairman: In 2006–07, your score for engagement with FCO heads of mission was 87%. It went down to 76% and is now at 79%. Is that change significant? If so, what will you do to remedy it?
Martin Davidson: I think the drop between 2006–07 and 2007–08 was largely caused by our decision to move towards regional working. That meant that we no longer focused directly on the individual country. The country was focused on within the context of the wider region. It took us some time to convince our FCO colleagues that that move was to be welcomed. I have taken a lot of encouragement from the fact that the numbers moved back up last year and I anticipate that they will move up further this year. In part, that is because we have been able to demonstrate the power of working regionally with a smaller number of larger programmes. Also, the Foreign Office is moving to this style of work and perhaps it understands it rather better than it did when we started.

Q17 Chairman: You referred to changes in where and how you work in Europe. One figure that has come out is a perception of a reduction in quality of service in northern Europe. Is that just an inevitable consequence of your shift of focus or can we do something about it?
Martin Davidson: I think a strong aspect is that we quite deliberately are no longer present in some of the places where we were present previously. Indeed, we now charge for some of the services that we provided free in the past. Many of those services are now being delivered online rather through face-to-face meets. There is an inevitability of some reduction. We are certainly not complacent about that and believe that we must focus on ensuring that
the services we provide in the new ways meet the needs and expectations of the people with whom we are working.

Q18 Chairman: I would be grateful if you could try to explain another statistic that I found surprising. The level of satisfaction with engagement with you is apparently 81%, and 82% perceive the British Council as a leader in its field. However, only 47% recommend working with you. Can you explain that?

Martin Davidson: I am not sure that we have sufficiently got inside that. The recommendation figure is a new measure that we brought in for the first time last year. We are looking at it because it is an industry-standard way of thinking about how effective an organisation is. We understand that the top performers would normally expect to register somewhere between 50% and 80%. There is clearly a distance for us to go. In some senses, we are asking different people a different set of questions. Although people appear to be satisfied with the services they get, there is not a sufficient number of people who would necessarily recommend us to others. That is a figure that we will focus on and try to raise.

Q19 Chairman: Do you have a regional breakdown for that figure? Is it better in some regions than others?

Martin Davidson: I do not have the figures in front of me, but I could certainly supply them if you would be interested.¹

Chairman: That would be helpful.

Gerard Lemos: Perhaps I can come in on this. It is perhaps worth noting that all the numbers you have been asking about all point to the bigger strategic shift that we have tried to make in the Council over the years, certainly those in which I have been involved. Five or six years ago, the Council did very little work with young people. Now we engage with thousands and thousands of young people—millions—but directly engage. That shift to working with young people and focusing on what one might describe as some of the tougher and more difficult countries is, in effect, producing some of the negative consequences that you are describing because of choices we have made. I would say that they are the right choices and are about where we deploy our resources and on what kind of programmes. Sue Beaumont has been working in Pakistan, for example, and there has been a massive increase in our work with young people. That is obviously very important, but the money to do that has to come from somewhere. One of the answers to where it comes from is northern Europe.

Chairman: We understand your problem.

Q20 Sir John Stanley: You are making this massive geographical shift of a third of your resources out of Europe into what you take to be higher priority areas. When we discussed this with you last year, you said that you were going to maintain the level of funding in Bulgaria, Romania and Turkey and that you were actually going to increase the funding into the western Balkans. Do those exceptions apply still a year later today?

Martin Davidson: Yes, they do. We recognise that there is a very clear distinction to be made between western European countries and those new accession countries, the immediate European neighbourhood and the west Balkans. We are making a significant shift and change in the west Balkans. It is a difficult area for us to operate in; for example, there has been some criticism of our decision to close our library in Belgrade, but it was taken on the basis that we would, by using those same resources, open two new libraries—one in Novi Sad and the other in Kragujevac, Serbia’s second and third largest cities—because we are worried about the way in which we focus on a small number of the larger cities in that region and the feeling that the sort of services that we offer are best delivered if we try to deliver them more widely across the region. That move out of large centres in capital cities alone into a wider range of services to a broader range of people in the second and third tier cities would be a continuing part of our strategy for the region.

Q21 Sir John Stanley: Can I go from recent accession countries to countries that are more or less down the accession path, to countries that are looking towards the EU, but have not really begun the process very much at all? I wish to ask you about Ukraine, Moldova—where I was in the first two days of this week; you may be interested to know that, quite spontaneously, it was said to me in Moldova that the British Council could very easily run self-financing English language teaching—and Georgia. Have you got your eyes on those countries because they are three very important countries, which are all on the edge of going eastwards or westwards and where the British Council could have a very valuable role to play?

Martin Davidson: We are very conscious of all three. Ukraine is a very important location for us, and we have a substantial presence there, including in some of the other cities. Georgia again is an important operation for us, and Operation Tbilisi is a well-founded one. Moldova is a country where we have not operated with a stand-alone operation. We have over time done a small amount of work out of our Romania operation there. I admit that I have been cautious about taking on another country. I take the view that one of the biggest problems the British Council had back in the ‘90s and the early part of this century was our constant expansion with smaller resources. I have taken the view that we should not open new country operations unless we are prepared to close another operation. In other words, unless the total resource of the organisation can grow, we should not reduce down. Obviously, that is not a policy that can be written in stone. One of the things we are looking at is how we can also develop a stronger set of services and work in countries from their neighbours. For example, in Africa, we are looking to work in Rwanda out of our Uganda operation. We are developing work in

¹ Ev 14
Angela from neighbouring countries and clearly in
the case of Moldova there are two options for us to
look at, one of which would be a stand-alone
operation. We are very aware of the pressure—well,
not so much the pressure, but the desire of the
Moldovan Government for us to operate. We will
look at whether we should open there or, indeed,
whether we should expand our work, particularly
out of Romania, into that country.

**Gerard Lemos:** Just one small thing to add to that.
One of the benefits of the regional approach that we
now have, about which Martin was talking earlier, is
that it makes it possible for us to extend our
programmes into countries where we do not have
offices, like Moldova. That is how we started out in
Kosovo and so on. We now have a very well
established and highly successful operation in
Kosovo, which I visited recently. The way in which
we put the organisation together in these regions is a
plus in this respect.

Q22 **Sir John Stanley:** I am sure you are aware of the
sensitivity in quite a lot of quarters in Moldova
about Romania. You might want to think quite
closely about the Ukraine if you are looking for a
springboard. Can I just ask you another couple of
questions? Your regional performance data last year
covered both engagement and reach. This year they
cover only engagement and not reach. What is the
reason for that?

**Martin Davidson:** I think we wanted to focus
ourselves and our colleagues on engagement as the
most effective measure of the power of the
organisation—the impact that the organisation
achieves. We do, of course, also measure reach and
we have global measures for reach. We decided not
to publish those separately, but we can, of course, let
the Committee have them if you would be interested
in them.

**Sir John Stanley:** We would like to have those.

**Gerard Lemos:** Just quickly, so that you know now,
the reach figures went up from 87 million in 2006–07
to 112 million in 2007–08 and to 221 million in
2008–09. That is partly because of the recalibration
we were discussing earlier between reach and
engagement. Although the engagement figures went
down a bit, reach figures have gone up.

Q23 **Sir John Stanley:** We would like to have those
regional data on reach. I just have one more
question. The engagement figures in Russia and
northern Europe fell in 2008–09. You said that they
were engaging with fewer people and that these are
“champions” who “go on to achieve great things.”
Would you like to give us any examples of particular
champions you have in mind?

**Martin Davidson:** I don’t have a specific individual
in mind. In the case of northern Europe and Russia
in particular, as the Committee is aware, we have
made significant shifts in our operations and have
had to re-found them in many ways. But the sorts of
programmes we are running within the region
include, for example, our international climate
champions, which is focused on a group of young
people between the ages of 16 to 20. Some of those
young people have come to the UK—for example,
we brought international champions from each of
the G20 countries for the G20 summit here. We will
be taking a number of them to the Copenhagen
meeting in the next few weeks. So we are focusing on
identifying young people who want to engage in
those critical areas of climate change and the wider
international agenda both in northern Europe and in
Russia. We are providing those young people with
the opportunity to become part of that wider
network that we are building more generally.

**Chairman:** Thank you very much.

Q24 **Mr Hamilton:** Can I move us away from Europe
to the other side of the world, to China? In 2008–09,
you significantly increased investment by £2.6
million, yet engagement fell from 3.6 million to, I
think, 1.3 million. You say in your report that that is
a rather alarming drop, isn’t it?

**Martin Davidson:** It is a significant drop. In the case
of China, two things are worth saying. One, it was
one of those countries where we made a decision that
we would try and meet some of the losses in the
exchange rate. Other countries had to live within the
cash means; with China, we wanted to make sure
that that was not the case, so some money did go into
China to try and cover that. China is a very good
example of one of those countries where we wanted
to re-base our evaluation data. So, for example, in
China, a large number of people go through the
whole education process—as you know, China is the
largest sender of students to the UK—and we were
counting many in our engagement figures of those
attending education exhibitions and other education
engagements. We no longer do that, because we
don’t believe that it is an appropriate way to
calculate the impact of the organisation.

Q25 **Mr Hamilton:** Sorry, can I interrupt you a
minute? Are you saying that you were effectively
double counting some people?

**Martin Davidson:** Not that we were double counting,
but that instead of counting people attending
education exhibitions and those types of activities as
engagement, we now count them as reach. We’ve re-
categorised. Instead, we’re focusing much more on
programmes like our Climate Cool programme,
which is working with the Chinese Government on
developing a climate curriculum for schools. That
has involved something like 1,000 teachers and
approximately 700,000 Chinese schoolchildren. We
will count the 1,000 teachers as those with whom we
have a direct engagement; the 700,000-odd
schoolchildren we will count as having been reached
rather than having had direct engagement. That
gives an indication of how we’re trying to focus on
where we make a direct impact on individuals, rather
than a knock-on impact. It’s a very good example of
how we’re refocussing the programme. We’re also
focusing very considerably on English language in
China, education links—higher education links in
particular—and school links. I think that gives us a very strong programme where we will be able to demonstrate that the engagement that we have with those people is genuinely transformational in terms of the way they actually think about the UK and involve themselves with the UK and, indeed, the aspirations that those young people have.

**Q26 Mr Hamilton:** Still on China, these are quite large figures, even though they’ve reduced significantly, for the reasons you’ve explained, but China is the largest, most populous country in the world. It’s really scratching the surface, isn’t it? Have you measured the proportion of people you’ve engaged with, even at the 1.3 million level, compared with other comparable countries? What percentage?

**Martin Davidson:** I’m not sure that we’ve done a direct comparison. Different countries obviously count these things in very different ways. We have a view in our own minds of the sort of proportion that we should seek to engage with, and we have established a target of 10% of a particular cadre of people for us to have a positive engagement with. In China, that is an astronomically large number.

**Mr Hamilton:** Over 100 million.

**Martin Davidson:** Yes. I am not suggesting 10% of the total population; that is certainly way beyond our capacity. But if we are looking at, for example, the population of 16 to 20-year-olds wanting to learn English, still, the numbers are going to be, very, very large. I think it is inevitable that if we are going to be effective in China, we have to operate through online and electronic means. We cannot possibly have direct, face-to-face engagement. We are, for example, discussing with the Chinese authorities how we can work with them more closely on English language. We are working on an online English language offer for Chinese students. We expect to be able to announce very soon an agreement with Nokia for English language materials over their telephone network in China. We are working on developing with the Chinese Government support for Chinese teachers of English, giving them access to curriculum and teaching materials. We already have something like 1 million Chinese teachers a year using our services in that way.

**Mr Hamilton:** So we are enabling the enablers.

**Martin Davidson:** It is about enabling the enablers. Indeed, exactly the same argument is made about India, where, rather than trying to deal face to face with very large numbers of Indian teachers, we made a decision to work with the teacher training establishments because that gives us access at a level that is manageable in these huge countries.

**Q27 Mr Hamilton:** I appreciate that we are running a little short of time so can I whizz us through some of the other countries? In the Middle East, grant aid increased by about 17%, thankfully, engagement also increased by about 17%, and satisfaction. I am glad to say, improved marginally as well. Are these above or below the levels that you would have expected given the increase in funding?

**Martin Davidson:** Perhaps I could ask Sue to cover that as it is her region.

**Sue Beaumont:** I am not sure whether they are in line with what you have just said but clearly there was an increase in engagement, because we did more things in the Middle East. We are doing a lot on the English language. We reached 1.4 million through an online offer by working with teachers and, through teachers, students online. We are working with school links across the region, and we are definitely engaging with more young people by trying to involve them in community projects. Often, those community projects are linked with communities in the UK as well because it is incredibly important for both the Middle East and the UK to have a greater understanding of each other and there are benefits in both directions. On balance, we have made a conscious effort to engage more people in different areas—all marginalised areas.

**Q28 Mr Hamilton:** Thank you very much for that. Last year you indicated that you expected to increase engagement figures in central and south Asia from just under 1 million to more than 2.5 million over the next few years. However, as you know, engagement fell marginally by about 100,000 to 800,000. Is that exclusively because of Iran or are there other factors and what are your revised targets?

**Martin Davidson:** Iran obviously was a very substantial cause, with the closure of the office in January, but to all intents and purposes the work had been substantially run down by that period. It is also a rebasing of our activities in central and south Asia, but I think that I will ask Sue to perhaps use Pakistan as an example of where we are expecting to go.

**Sue Beaumont:** In Pakistan we have focused on fewer programmes, so, in a sense, that affects some of the engagement figures, but as a result we are reaching far more young people. To take people who are engaged through our school linking programmes, we have around 200,000 school links in Pakistan and they reach about 500,000 school children. Those school children are very much engaged with the UK on learning projects, which could be on anything—environmental issues, heritage, their different cultures. There is a very strong connection between schools in the UK engaged with schools in Pakistan, which brings all sorts of benefits to learners. We have also worked with teachers on teacher development in leadership and on running schools and improving what you can get out of resources. When teachers from the UK meet teachers in Pakistan they are usually quite amazed at what schools in Pakistan can deliver with very small resources. What also happens is a lot of exchange on curriculum practice. An incredible amount of mutuality goes on. I think that what we want to do in the future is expand that enormously because we find that people-to-people contact, particularly for the school children, for students and for young people, enhances the trust and understanding between our cultures.

**Q29 Mr Hamilton:** Thank you very much. I’m sorry to move us swiftly along; we want to cover a number of areas. We spent a lot of time over the past few years discussing Russia. We all know what has been
happening there and of the appalling problems that the British Council has faced over the past few years. I do not want to rehearse those but could you bring us up to date on the current situation in Russia? Is there any prospect of a new cultural centres agreement with the Russian authorities? If not, how do you see the work of the Council developing in Russia at all?

Martin Davidson: As the Committee is aware, we have had tax disputes with the Russian authorities for a number of years. Those tax disputes have now been settled in St. Petersburg with a final settlement of approximately £7,000 of tax payable by the British Council, which is roughly 99.5% less than the original tax demand. We are still in the process of going through the courts in Moscow for the tax demand there, and we hope very much that that will be settled within this year. That said, I think it is important to recognise that the atmosphere for cultural relationships with Russia has changed over the past year or 18 months. There was an extremely successful Turner exhibition, which took place in Moscow last year. Something like 200,000 people went through the doors on that. We also ran a drama festival, with a number of British drama companies going to Russia. Russia is scheduled to be the market focus of the London Book Fair in 2011. Only in the last week or so we had a very successful exchange with the Hermitage in St. Petersburg. There are plans for a substantial programme of cultural exchanges with Russia both this year and next year. So I think the atmosphere is stronger. I do not have any information at the moment about when it will be possible for us to obtain a cultural centres agreement, which would allow us to reopen in St. Petersburg. Obviously, we continue to express to the Russian authorities our desire to be able to operate effectively from St. Petersburg, but it remains part of the wider relationship between the UK and Russia, rather than purely a cultural one.

Q30 Mr Hamilton: On 31 January this year you suspended all operations in Iran. Are there any prospects for the Council returning to Iran? Have you had a chance to talk to the Iranian authorities about the way your staff have been treated?

Martin Davidson: We obviously made, when the operation was closed in Iran, a number of protests at the way in which staff had been treated. I don’t think you’d be surprised that in the subsequent period the relationship has become increasingly difficult. Wrongly, I believe, the Iranian authorities regard the cultural relationship as part of a wider subversive approach to Iran. It is quite clear to me that young Iranians are looking for the opportunity to engage and to be involved in education, the English language, and wider contact with other parts of the world. We stand ready when it becomes possible for us to get back to work in Iran, but I have to say I’m not sanguine about that being very soon.

Q31 Mr Hamilton: So you’ve had no indication whatever from the Iranian authorities that in your view it would be safe to go back there.

Martin Davidson: No, and in the present climate it’s extremely unlikely that we would get those indications.

Q32 Mr Hamilton: Which, as you rightly say, is tragic, given the view of most Iranians that they look towards the west and are interested in western, especially British and American, culture.

Martin Davidson: Iran is one of those countries with the most extraordinarily ambitious, eloquent, clever young population, looking for and hungry for connections with other parts of the world. I think one of the saddest things of all is that the opportunities for them to get those links have been closed down.

Gerard Lemos: Perhaps I could just say one more general thing about this. One of the most striking things in my many long years at the British Council has been the tenacity of our staff in these kinds of situations. Iran and Russia being two examples, although I could quote many others where there are other kinds of difficulties—Zimbabwe, Afghanistan and so on. One of the striking things about life at the British Council is how quickly we do, once the mood changes, manage to reopen and get things going again. So we are eternal optimists and we certainly won’t stand on the sidelines any longer than we need to. I think our track record in some of the other difficult countries rather confirms that. So we’re ready to go.

Q33 Mr Hamilton: Finally, you mentioned Zimbabwe just now, Mr Lemos. Last year, Mr Davidson, you told us that you were not in a position to expand your operations in Zimbabwe and you would obviously do so as soon as the political situation improved. We are told that it is improving. You also said that your plans included working with the diaspora communities in the UK and South Africa and looking at ways in which they might be encouraged to return to Zimbabwe, as well as continuing to work with young professionals within Zimbabwe itself. Can you tell us what progress you have made in the last 12 months in working with the diaspora communities and with young professionals in Zimbabwe?

Martin Davidson: First, on the young professionals in Zimbabwe, we have made a significant inroad there. The number of people going through our two offices in Harare and Bulawayo has risen to 60,000 over the year. That continues to grow this year. The sort of services that we are offering, which are providing access to technical and management information from outside the country, helped some of those people to make the decision to stay in Zimbabwe, though obviously there are many other factors involved. We are shortening our visits to new offices in Harare which will enable us to expand those services for people in Harare. We have also been able to continue to develop our school linking and other programmes of that kind, which give young people and young professionals, particularly teachers, the opportunity to have an involvement with schools outside the country. We have also continued to support the Harare Arts Festival to
bring a stronger arts component. We are making considerable efforts to continue to operate in Harare and in Zimbabwe more widely. My colleagues in South Africa have also begun to make contact with some of the diaspora communities there. I do not have details in front of me of exactly what they have done but I can certainly let the Committee have those.

Mr Hamilton: I’d be grateful.

Martin Davidson: I am very pleased with our commitment to Zimbabwe and the fact that we are dealing with more people in a more effective way. Again, both the physical and mental courage of our staff in managing in very difficult circumstances at one point last year should also be noted.

Gerard Lemos: Just one final thing, we do still have public access in Zimbabwe and we know that that is enormously valued across the political spectrum in Zimbabwe. That is something we are committed to.

Q34 Chairman: Finally, you gave us a very helpful written submission and I should like to quote it back at you: “The prosperity of the UK depends on a world which is open to commerce, culture, creativity and global participation. In this context, the work of the British Council is ‘more important than ever’.”

Do you think that in the current climate that view of the work of the British Council is shared within the Foreign and Commonwealth Office but also, and more importantly, within the Treasury as we approach another comprehensive spending review?

Gerard Lemos: Perhaps I could start on this. We do not underestimate the difficulties of the current spending climate. Of course we don’t. We would be naïve to do so. We have made all the efforts that we talked about before the Committee to make sure that our organisation is fit for the future and that we are saving money where we can and we are meeting all the efficiency targets that the Treasury and others have set for us. It is important to us to keep our house in good order. On the general strategic point, the context in which the world is operating post the recession makes it important for us to be able to continue to do our work. It becomes more important for the UK to experience the benefits of creativity and openness and it becomes more important for us to do our work on skills and so on. We see ourselves as very strategic contributors to the UK economy and that is the case we will make. We hope that the Treasury and FCO will see it the way we do.

Q35 Chairman: Have you given any thought to where you might have to make cuts in particular regions, projects or approaches, should you find that next year or the year beyond you are presented with difficult choices?

Gerard Lemos: We don’t have a blueprint and it is not our intention to make one. One good thing about the Council for the purposes of this conversation is that we have other sources of income—commercial income and so on. But the problem is where that is derived. The countries where we want to spend our grant funds are not the countries where we have the maximum commercial potential. So a lot of our money is earned in Europe and east Asia and so on but we spend it in the Middle East and central and south Asia. It would be difficult for us to maintain our global footprint, to which we are very committed, if there were substantial cuts. It is in the interests of the UK as a whole that we maintain our presence. We will live within our means and we will try to do that efficiently but we don’t want to be put in a position where we have to reduce our activities in places where perhaps we can’t do commercial things quite so easily because the markets aren’t there for them. It would be wrong to imagine that we could simply substitute commercial income for Treasury funds.

Chairman: Mr Davidson, Mr Lemos and Ms Beaumont, thank you for coming today. We will keep in touch with you, no doubt, to follow up some of the questions with requests for the information you said you would give us. Thank you for your time.

Gerard Lemos: Perhaps I can say on behalf of the Council that we do welcome the opportunity to come and see you once a year and to share what has been going on for us. We look forward to seeing you again next year.

Chairman: I suspect next year that some Members of the Committee will have moved on to other things.

Gerard Lemos: I dare say that might be true on this side of the table, too.

Chairman: We certainly hope that the next Parliament’s Foreign Affairs Committee will take up the relationship with you.

Gerard Lemos: It is a very useful encounter for us.
Written evidence

E-mail to the Committee Specialist from Catherine Acuna, Parliamentary Officer, British Council

BRITISH Council Kharkiv, Ukraine

We are writing to inform you that following a premise review of our Ukrainian operations, the British Council will be modifying the way it operates in Kharkiv. As of 1 July 2009, the British Council will work directly with partners in the city and through online sources and will be closing our contact point in Kharkiv.

Since 2006, our Kharkiv office has been operating as a contact point located within the premises of a host university in Kharkiv. As of August 2008, the office has been operating as a one person operation in support of a strategic move from local to large scale projects.

The British Council has been operating in Kharkiv since 1994. The British Council will continue to work with partner organisations and experts in Kharkiv to develop and deliver a diverse range of high-quality projects and programmes for various audiences. We will also be giving people in Kharkiv access to educational opportunities, unique English language teaching and learning resources through online sources.

The British Council remains committed to working in Ukraine and building understanding and links between our two countries. We continue to assess how best to meet the needs of our customers and partners in Kharkiv.

5 June 2009

Letter to the Clerk of the Committee from Mr Alan Gemmell, Director External Relations, British Council

BRITISH Council Knowledge and Learning Centres in Egypt

Having reviewed the provision of British Council information services in Egypt, we have decided to make a number of changes to our Knowledge and Learning centres and public lending facilities. The changes reflect our new focus on employability in Egypt, a priority agenda for the Egyptian Government, and are designed to ensure we continue to meet the educational needs and international aspirations of current and futures users of our services.

The country-wide focus on employability will be led from our office in Alexandria and will see new products and services which meet the professional development needs of a growing number of our customers and lead to increased take-up of UK qualifications.

To help achieve this new focus we have decided to close our Knowledge and Learning Centre in Cairo (Agouza) and withdraw our general public-lending facility from 20 August 2009. In addition, public-lending facilities at our Knowledge and Learning Centre in Alexandria will stop on 17 September 2009. We will, however, continue to offer services to current and future UK qualifications candidates including a range of learning materials and online support.

10 July 2009

E-mail to the Committee from Martin Davidson, Chief Executive, British Council

BUSINESS and INVESTMENT PLAN

As you know, we are implementing a number of difficult decisions following the reduction in the purchasing power of our grant. The changes will develop a sustainable operating model and ensure we spend as much as possible on our programmes, which create influence and opportunities for Britain.

We announced a transformation and investment programme in June, which includes a voluntary redundancy and early retirement scheme for permanent staff. We expect to lose between 400 and 500 UK posts over the next two years, approximately a third of our UK workforce. Around half of these posts are currently filled by temporary workers or consultants and some are vacant.

We also propose to consolidate our finance functions, currently located in five centres around the world, into one overseas centre and one in the UK. The number of finance roles in the UK is expected to be reduced to around 40 posts. Overseas, finance hubs in Mexico, India, Poland and China will be consolidated into one location—probably in India—with around 60 posts but with a net reduction of around 40 jobs overseas.

These have been difficult decisions for our senior team and we are acutely aware of their impact on our people. As you would expect, we have been in discussions with staff and unions throughout and we will soon be consulting formally on all the proposals.

31 July 2009
Written evidence from British Council

The past year has seen the British Council achieve real success and impact for the UK while responding to the global economic downturn. Highlights in 2008–09 include:

— working with 460,000 young people across the UK—widening horizons and making global connections;
— 2,700 international school-to-school partnerships;
— teaching English to more than 300,000 people, generating £262 million income (a 30% increase on last year);
— delivering 2 million UK examinations and qualifications—earning £42 million in exports for UK exam boards;
— working with the state school system in West Bengal to improve English-language teaching for over 3 million young learners;
— showcasing the best of the UK’s creative and cultural talent at the Venice Biennale, supporting the focus on India at the London Book Fair and nurturing new talent in the UK’s creative economy through our Young Creative Entrepreneurs programme;
— improving educational and health outcomes for over 500,000 young people through International Inspiration, our 2012 sporting legacy programme; and
— leveraging £2.21 of customers’ and partner income for every £1 of Government grant (a 25% increase on last year).

Like many international organisations, we suffered from significant movements in exchange rates over the course of the last year; these resulted in a 16% reduction in the overseas purchasing power of our Government grant. However, through efforts across the organisation we managed to limit the impact to a 4% reduction in our direct engagement figures.

MEASURING ENGAGEMENT AND OUR CULTURAL RELATIONS IMPACT

We continue to track and report headline figures for our direct audience engagement and reach. Last year, we engaged directly with over 13 million people and reached a further 221 million people online or through print or broadcast media.

We are developing more sophisticated ways to measure impact and are increasingly able to plan, develop and track those we engage, who hears about it and what difference this makes to them. The combination of engagement, reach and the difference made—to people, institutions and policies—forms our cultural relations impact.

LARGE-SCALE, GLOBAL PRODUCTS

Over the last year we continued to focus our global programme activity on the following areas:

1. Prosperity, creativity and opportunity by supporting the UK’s creative and knowledge economy.
2. Openness and understanding through intercultural dialogue.
3. Sustainability and climate change.

1. Supporting the UK’s creative and knowledge economy

These programmes raise the international profile of the UK’s creative and cultural sector as well as provide access to new and existing markets. Our global arts work showcases the best UK talent and engages over 2 million people around the world. Plus, we continue to contribute to the international legacies of the London Olympics through International Inspiration, our 2012 sports programme, and the Cultural Olympiad.

UK and International Young Creative Entrepreneurs programme (YCE)

Our YCE programme identifies the best emerging entrepreneurs across the creative industries. Over 150 finalists from 47 countries have taken part, building connections which support growth and the long-term viability of the UK’s creative economy.

Showcasing the UK in the world and the world in the UK

We selected Steve McQueen as the UK artist at this year’s Venice Biennale. Scotland, Wales and Northern Ireland were represented by Martin Boyce, John Cale, and Susan MacWilliam respectively. The Biennale is an important opportunity to showcase UK talent to an estimated audience of 900,000 people.
We brought 50 Indian writers, translators, critics and academics to this year’s London Book Fair for its market focus on India. The market focus was an important opportunity for UK and international publishers to meet Indian counterparts and develop new business partnerships. Our associated cultural programme supported this activity and helped bring Indian authors to new audiences in the UK. In doing this we help the UK publishing industry maintain its position within the global creative economy.

We continued to work with UK Trade & Investment on the UK programme for Shanghai World Expo 2010 and the estimated 7 million people who will visit the UK Pavilion.

2012 Olympics

With UNICEF, UK Sport and LOCOG we are delivering the international sporting legacy of the 2012 Games through our joint programme, International Inspiration (II). II will create high-quality and inclusive physical education, sport and play for 12 million young people from 20 countries (including Brazil, Bangladesh, India, Indonesia, Pakistan and Turkey). Over 1.25 million young people have already taken part.

In India, II has already led to the development of a new physical education programme for 1.3 million schools improving health and educational outcomes for 20 million children. The introduction of II in Zambia led to a new national curriculum for physical education reaching 3 million young people. In Brazil, II has led to the integration of sports leadership into a national after-school programme involving 1 million disadvantaged young people.

English: a tool for communication and development

By teaching English to over 300,000 learners a year and delivering 2 million UK examinations and qualifications we provide important pathways for personal development. This activity provides us with a platform to share our expertise with the estimated 2 billion learners and 10 million teachers of English around the world. Last year, for example, 10.5 million unique visitors accessed our free global learner websites (including dedicated sites in Arabic and Chinese) and 3.5 million unique visitors accessed our global teacher websites.

In India and Sri Lanka we are using our expertise to improve English-language teaching in the state school system. Over the past 18 months, Project English has delivered training to over 430,000 teachers and 1,300 master trainers, improving the teaching of more than 4 million young people. By 2011, 220,000 primary teachers will have been trained, and 15 million pupils will have benefited from the project.

In collaboration with Nigerian National Radio we piloted Teacher Development by Radio, a groundbreaking response to the urgent need to provide Nigeria’s English language teachers with cost-effective professional development opportunities. Nigerian producers and editors developed local, high quality educational materials, including examples of best practice from Nigeria. The programme attracted an audience of 6 million teachers and learners.

2. Openness and understanding—intercultural dialogue

Through our ICD programme we are strengthening levels of understanding and trust between people in the UK and other societies. We focus activities on young people, encouraging them to become more engaged with their communities and more positive about the benefits of international and intercultural relationships. The programme is delivered in countries of strategic importance to the UK including Pakistan and Afghanistan, across the Middle East and in North Africa.

Through our Reconnect programme we are creating a network of 10,000 young leaders with the skills and confidence to engage in dialogue on critical intercultural issues. We are on track to train over 5,000 young people by April 2010. Last year, for example, we trained 280 young leaders from Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine, Syria and Tunisia, in community development, enabling them to work with disadvantaged communities in their own countries.

Through our Skills for Employability programme in Pakistan we have directly engaged almost 4,000 influencers and aspirants (typically, young people in the early stages of their careers) in policy dialogue, institutional partnerships with UK colleges and enterprise awards. In Afghanistan, Skills for Employability has delivered entrepreneurship training to teachers in over 40 vocational, educational and technical colleges and institutions.

This year, through our Global Changemakers programme, we brought young people from across the G20 to the London summit. The group met senior politicians from their countries as well as the British Prime Minister and Foreign Secretary. The Global Changemakers programme creates and supports an international network of young activists and social entrepreneurs. It provides unique opportunities for direct contact with politicians and decision makers on the issues that are of concern to young people.
3. Climate change

Climate change and sustainability are likely to become the most challenging global issues of the next 30 years, needing co-ordinated international solutions alongside community and individual action. Our climate change programme supports young people to develop a local and international response through engagement with global leaders, influencers and local communities.

International Climate Champions (ICC) supports young people to take action on climate change in over 60 countries, including those most at risk, such as Bangladesh. Last year we worked with over 1,000 International Climate Champions. We took 40 champions to the G8 Youth Summit in Kobe, Japan and supported them to make cases to their respective Environment Ministers.

China: Climate cool

China’s continued engagement on climate change is critical to the success of the global response. Our Climate Cool programme generated new resources and opportunities to support young people’s engagement in climate change issues. We trained 770 Chinese school teachers and worked with 156,000 school children in education-based activities. As a direct result of our Climate Cool Teaching Resources Development Project, the China National Institute for Educational Research has proposed the establishment of a “National Climate Change Teacher Training Centre”.

British Council around the world

We work in over 100 countries where we can really make a difference for the UK. In doing so we prioritise four broad categories:

1. Building trust in Central and South Asia, the Middle East and North Africa;
2. “New” economies like China and India;
3. Connecting people cut off from international engagement for example Burma and Zimbabwe; and
4. Building on well established ties in Europe and America.

Examples of some of our activity in each are set out below.

1. Building trust

In countries where the UK needs to build trust our work encourages dialogue. We provide access to English, education and skills and share culture.

Iraq UK Education Initiative

The Iraq Education initiative is a $1 billion project launched by PM al-Maliki in May 2008 to help rebuild Iraq’s educational infrastructure. PM al-Maliki asked us to organise an education mission and Education UK fair. Our participation sent a powerful signal that the UK’s focus in Iraq is shifting and presented the UK as a destination of choice for prospective scholars.

English language teaching in Libya and Egypt

The Libyan English Teaching in Universities Project (LETUP) is run in nine universities where levels of English are low and where there is a shortage of teachers with internationally recognised qualifications. In Egypt we continue to work with Al-Azhar University in Cairo to provide English language teaching to students of theology and preaching.

Springboard—supporting women across the Middle East

Springboard offers training to women across the Middle East, enabling them to play a greater role in their societies. By 2012 we will have supported 20,000 women in this way—a building block to increasing equality across the region.

2. “New” economies

Through our presence and activities in major emerging economies we develop links to new marketplaces, support skills development agendas and respond to the ever increasing demand for high-quality English language teaching.

Through our UK India Education and Research Initiative we have developed over 150 Higher Education and Further Education institutional partnerships—delivering joint programmes, undertaking research and providing scholarships as well as exchange programmes for students and staff. These activities significantly contribute to the profile of UK Higher and Further education in India. (In 2008–09 there were 31,000 Indian students studying in the UK, an increase of over 10% on the previous year.)
Prime Minister’s Global Fellowship in Brazil, India and China

This annual programme offers 100 young people in the UK the chance to spend six weeks in Brazil, India and China to gain a better understanding of the opportunities of the global economy. Fellows are hosted by major global businesses including Cadbury’s, Shell, Virgin Atlantic, KPMG, Pearson, G4S, and HSBC.

In China, our English Online website continues to provide support and networking opportunities for English language teachers and learners. Over 12 million unique users accessed the site last year. We continued to deliver the Connections through Culture Programme engaging with 2,000 arts professionals and 500 organisations in China and the UK. Working with Devolved Administrations in Scotland and Wales we took Scottish films to China and delivered Celebrating the Red Dragon in Chongqing.

In Russia, we responded to a strong interest in UK arts and culture and partnered with Tate Britain and the Pushkin Museum to take a JMW Turner exhibition to Moscow. The show attracted over 200,000 visitors and has led to three further exhibitions being planned over the next three years.

3. Connecting people cut off from international engagement

British Council offices and information centres provide an important lifeline for people who are unable freely to connect to the world.

Burma

Our libraries in Mandalay and Rangoon attracted 250,000 visits in 2008–09. As well as providing support to vocational and academic learning, libraries provide users with access to the internet and UK newspapers and journals.

Pyoe Pin (new growth)

Through Pyoe Pin we work directly with around 39 Burmese NGOs and community-based organisations building links with community activists and change makers. Following the Cyclone Nargis disaster in 2008, the project broadened its focus to include groups involved in the relief effort. Pyoe Pin is funded by DFID and its Swedish counterpart SIDA.

Zimbabwe

Last year 60,000 people visited our Information Centres in Bulawayo and Harare; 2,204 students sat examinations (an annual increase of 13%); 15 Zimbabwean postgraduates entered UK universities (fully or partially funded by the Chevening programme); and 62 schools, many in poor rural areas, participated in our school linking programme.

4. Building on well established ties

With open and developed societies we focus on educational and cultural exchange programmes that build on the UK’s pre-existing ties.

TN2020 is building new networks between emerging leaders in North America and Europe to address challenges that will define their generation. The network currently comprises 100 members from 21 different countries across the two regions.

Lifelong Learning and Youth in Action Programmes of the Education and Cultural Directorate of the European Commission

The British Council is the UK National Agency for these programmes.

Erasmus encourages student and academic staff mobility for work and study. Through the programme, 10,000 UK students study or work in over 30 European countries and almost 2,000 academic staff undertake study visits for teaching and training purposes.

Comenius develops Europe-wide school and college partnerships and exchanges. More than 1,000 UK schools, 12,000 teachers and 180,000 pupils participate each year.

Youth in Action focuses on non-formal learning through volunteering, exchanges and study seminars across 35 countries. Over 10,000 UK participants engaged in Youth in Action last year.

Delivering a Sustainable British Council

Over the last two years we have increased spend on grant-funded programmes by £5 million to £95 million and, in line with our commitments in the 2007 spending review, are on track to meet over £20 million of efficiency savings. Larger scale programmes have enabled us to do quality work with 10% more “influencers” and to reach double the number of people remotely. However we recognise the continued need to develop a more sustainable operating platform.
In 2009 we announced a transformation and investment programme to ensure that we remain efficient, deliver value for money and can rapidly respond to the post recession world. The transformation programme will lead to the loss of 400 to 500 posts in the UK over the next two years; approximately a third of the UK workforce. Around half of these posts are currently filled by temporary workers or consultants (some are vacant). We also expect to reduce the number overseas posts by several hundred (currently 6,100). The transformation programme will be a difficult process, involving significant restructuring, but we are convinced that our ambitions—and the priorities of the UK—will only be met by making these changes.

Looking Forward—Openness and Prosperity, Security and Sustainability

The global economic downturn creates conditions with the potential for governments—and people—to adopt a more protectionist outlook and be less open to other countries and cultures. Uneven access to education and employment coupled with tension and instability in many parts of the world create risks for the foreseeable future. Increasingly resource scarcity—for example shortages of water and oil—and our interconnectedness mean learning to live sustainably will become the defining challenge of this generation.

The basic case for our work is clear—the prosperity of the UK depends on a world which is open to our commerce, culture, creativity, and global participation: In short, a world which continues to look to the UK as an attractive partner. Improving access to educational opportunities and increasing intercultural understanding are vital building blocks to a more secure and sustainable world.

Given these challenges and the opportunities for an attractive UK to inspire and be inspired, our work—building trust and engagement for the UK by supporting a worldwide exchange of ideas—is more important than ever.

5 October 2009

Supplementary written evidence from British Council

1. Reach Figures for 2008–09, including the Overall Figures and Regional Breakdown

British Council reach figures include the tens of millions of people who interact with our content or information (rather than engagement which describes person-to-person interaction). Audience reach is mainly achieved through internet, broadcast (TV, radio), print media and other publications (DVD, CD-ROM). Over the last four years British Council reach has grown from 35.4 million to 221 million.

2. Regional Breakdown of the Figures for the New Advocacy Measure

<table>
<thead>
<tr>
<th>Region</th>
<th>Reach 2007–08 (millions)</th>
<th>Reach 2008–09 (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central and Southern Asia</td>
<td>2.1</td>
<td>34.8</td>
</tr>
<tr>
<td>China and Hong Kong</td>
<td>32.6</td>
<td>46.7</td>
</tr>
<tr>
<td>East and West Africa</td>
<td>38.6</td>
<td>29.1</td>
</tr>
<tr>
<td>East Asia</td>
<td>13.8</td>
<td>33.9</td>
</tr>
<tr>
<td>India and Sri Lanka</td>
<td>1.5</td>
<td>10.8</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>2.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Middle East</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Near East and North Africa</td>
<td>0.8</td>
<td>1.2</td>
</tr>
<tr>
<td>Russia and Northern Europe</td>
<td>7.1</td>
<td>6.5</td>
</tr>
<tr>
<td>South East Europe</td>
<td>5.6</td>
<td>27.8</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>1.4</td>
<td>10.6</td>
</tr>
<tr>
<td>West Europe and North America</td>
<td>5.5</td>
<td>15.4</td>
</tr>
<tr>
<td>TOTALS</td>
<td>112.2</td>
<td>221.0</td>
</tr>
</tbody>
</table>

The British Council introduced a new measure of “net advocacy” in 2008–09. The global average of 47% (weighted to reflect our global audience engagement) is an encouraging baseline on which we can build, particularly when compared with successful consumer-focused organisations which report from 50%.
### Net Advocacy Rating

<table>
<thead>
<tr>
<th>Region</th>
<th>2008-09 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central and Southern Asia</td>
<td>56</td>
</tr>
<tr>
<td>China and Hong Kong</td>
<td>35</td>
</tr>
<tr>
<td>East and West Africa</td>
<td>60</td>
</tr>
<tr>
<td>East Asia</td>
<td>39</td>
</tr>
<tr>
<td>India and Sri Lanka</td>
<td>46</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>58</td>
</tr>
<tr>
<td>Middle East</td>
<td>32</td>
</tr>
<tr>
<td>Near East and North Africa</td>
<td>45</td>
</tr>
<tr>
<td>Russia and Northern Europe</td>
<td>55</td>
</tr>
<tr>
<td>South East Europe</td>
<td>61</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>47</td>
</tr>
<tr>
<td>West Europe and North America</td>
<td>35</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>47</strong></td>
</tr>
</tbody>
</table>

3. **The British Council’s Work with the Zimbabwean Diaspora**

The British Council engages with large numbers of young Zimbabweans and academics through the range of opportunities and services we offer in South Africa and the UK including access to UK qualifications, participation in global leadership programmes and support for Zimbabwean artists.

**Examples**

In Johannesburg this year we worked with the Royal Commonwealth Society on a conference attended by representatives of Commonwealth organisations, including civil society, local government, human rights organisations and higher education which considered ways of engaging the Zimbabwean diaspora in the reconstruction of the country. This has led to a more serious Commonwealth focus on Zimbabwe, and the organisations at the conference are individually working with their Zimbabwean counterparts.

In the UK our most significant contact is with community and performing arts groups. For example the British Council has supported cutting-edge theatre from the UK diaspora to tour Zimbabwe, such as “Two Gents Productions”, who came to Zimbabwe with their Shona version of Two Gentlemen of Verona. We have also established contact with a Zimbabwean diaspora group in Suffolk, and a UK-based Zimbabwean film-maker who plans to make a hard-hitting documentary on human rights abuses and community issues in Zimbabwe.

4. **The British Council’s Response to the Changes to the Public Diplomacy Board**

The Public Diplomacy Board is being replaced by a Strategic Communications and Public Diplomacy Forum, chaired by the Foreign Secretary, which will meet twice a year. The British Council welcomes these new arrangements, which reflect the fact that UK public diplomacy activity is now more strategic and joined up. It is a logical and timely development, following on from experience from the PD Board’s public diplomacy pilot initiative, which helped develop a better understanding about how and when the FCO and the British Council work together and this has created a very constructive and productive dialogue and approach to collaboration.

The British Council will continue to play a leading role in the Public Diplomacy Partners Group, which continues to support the new Forum and meets at six week intervals to deal with cross-cutting matters such as the Shanghai Expo and the London 2012 Olympics.

**23 November 2009**

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**Further written evidence from British Council**

**Follow-up to the National Audit Office’s Value for Money Report on the British Council**

1. **British Council to verify whether, large-scale projects have generated greater outcomes at least in proportion to their greater cost. Measures may include direct audience size per £1,000 spent, customer satisfaction scores and the ratio of grant to external funding**

   Large-scale programmes are performing well in quality terms and achieving higher scores for customer satisfaction, reputation and customer advocacy.

   In terms of audiences, large scale programmes are enabling us to generate much higher numbers of “influencers”, our critical target group, with a significant increase forecast for 2009–10 compared to the 282,000 influencers engaged last year.
We continue to develop British Council’s systems to consistently improve our understanding and analysis of programme impact and portfolio planning. In relation to monitoring and evaluation, output to outcome reviews are being undertaken each quarter on large scale programmes. These provide a qualitative and quantitative assessment of impact based upon the British Council project logic model. Our new Global Performance System (GPS) has brought together audience reach and engagement with programme spend and this enables the generation of cost per audience indicators. We are developing metrics which will enable us to compare cost per audience member engaged with/reached as well as take account of the depth of change achieved with each audience member. We are also harmonising the reporting of our portfolio of work to enable improved comparative analysis of technical and financial data across programmes and projects.

2. **British Council should raise consistency of project management in UK and across overseas network. Change to include better mechanisms for pooling successful project designs, tighter controls on project funding and improved training for project management staff**

A standardised project management process model has been designed, in consultation with external project management consultants. Detailed work is now underway designing, testing and reviewing the business tools that make up the model. The programme and project management models will be rolled out once testing is complete, beginning mid 2010.

A learning and development framework will be designed to support the new model.

A Centre of Excellence in programme and project management will be created to ensure the model is embedded in the organisation.

3. **The British Council has pockets of good practice, but there is a lack of consistency across the network**

Regionalisation has allowed the corporate centre to hold the regions to account, and to spread good practice across the regions.

All Regional Directors have the same format of performance agreements; this makes them directly accountable for the delivery of an annually updated regional plan, which includes both financial targets (eg income) and non-financial (eg reach and engagement with target audiences) over two years. A formal quarterly review process holds Regional Directors to account for progress and seeks explanations when the targets are not being met.

Regional Directors operate as a network. They meet at least twice a year to agree the strategic direction for the overseas network and they communicate regularly through facilities such as a sharepoint.

4. **British Council to confirm reasons behind acute variations in external funding between countries, and more consistently apply policy on working with private companies across network**

Overall, partnership income increased by 11.3% in 2008–09 to £49.2 million. Some of the variation between countries is down to the different operating environments in 110 countries and reflects that sponsorship opportunities need to fit our strategic priorities whilst aligning with potential sponsors’ priorities.

However, we are rethinking our approach to partnership, developing new and more enduring partnerships is a cornerstone of our scale of ambition. Within three years, we aim to deliver a significant proportion of our global activity through partners. Crucially, we will look to expand the range of relationship types we have with other organisations—complementing our current funder-supplier relationships with an increased number of strategic multi-agency alliances and coalitions. To ensure that the impact we make is not limited by just the finite resources of our funder-supplier relationships, we will increasingly seek to establish relationships based on our ability to influence others to develop their own cultural relations agenda. We have developed a new corporate partnering strategy, typology (spanning both private and public sectors) and set of policies.

By the end of March 2010, we will have piloted new approaches to partnership development in all of our operational contexts. During 2010–11, we will focus on the partnership benefits we can offer and move to more systematic account management around the world.

5. **British Council to more consistently embed application of commercial skills and behaviours, eg margin analysis and price sensitivity, across its English and Exams business**

The range and type of business we operate generates a demand for a wide spectrum of skills appropriate to the operating environment and we have continued to balance the specialist skills in our market (pedagogical knowledge and academic leadership) with the commercial drive to maximise out business growth and return.

To ensure the wider embedding of commercial skills and behaviours we have continued to invest in training and recruiting appropriately skilled staff and it is one of the competencies managers are appointed on. We have also established a network of regional business development roles that enhance the commercial skills and behaviours. These post holders are challenged to maximise the business return and numbers of learners we reach by assessing all the product returns, costs and investment opportunities and secure the evidence to inform business strategy and realise market potential.
6. **British Council to pursue a target of delivering a substantial proportion, (provisionally at least one third) of its direct English tuition, in partner premises**

   We are implementing an ambitious growth strategy for our English-language teaching operation, based, in part, on greater geographical spread and minimising investment in real estate. We want to improve our capacity to grow flexibly as markets develop and focus resources on activity rather than real estate.

   To do this we will need to develop new partnerships. We are already teaching in partner premises in a number of locations (including Hong Kong, Korea, Poland, Portugal and Spain) and have more planned (France, Mexico and Thailand). Our plans for launching teaching operations in China and expanding significantly in India include options for partnership.

   We do not think that a specific global target would work at the moment. We will explore opportunities for greater partner working as they present themselves (for example through our ambitious growth plans or as leases come up for renewal).

   We are currently analysing the partnership models we already operate with a view to identifying the most effective. Where it makes commercial sense, there is an opportunity and demand we will always explore the most efficient way to deliver our services, taking into account the challenging operating environments in which we work.

7. **British Council can draw on methods used by, amongst others, the BBC, to give added assurance on fair competition**

   We have worked closely with the BBC to scope requirements for a fair competition policy and processes and for complaints, both of which are now published. We are developing training to ensure compliance with all our procedures.

8. **British Council needs to build on its growing customer-focused culture, in particular to develop an agreed specification for a common CRM tool**

   We have been implementing a CRM pilot in China, which is now being used in all five of our offices with very good functionality. The China pilot has shown that a limited CRM system can bring communication and marketing benefits to users. However, as a global one-size fits all approach is expensive and high risk, we will continue to develop the learning from the China pilot. In addition we are developing a new approach to relationship management to significantly improve relationship management across the organisation’s priority sectors.

9. **British Council and FCO should implement lessons from their pilots in a clearly defined new system which applies some measures globally and others only in selected projects and regions**

   The British Council and FCO now have a comprehensive review—externally validated by the Tavistock Institute—of the Public Diplomacy Pilots with recommendations and lessons learned. FCO and British Council each have an action plan for implementing changes.

   We will be maintaining the close relationship with FCO, sharing best practice on evaluation, established through the pilots at a quarterly review of progress and information sharing.

   With the move to fewer, larger programmes we can apply the tools more cost effectively and select those which are most appropriate to each programme.

   We are starting to review our quality measures (eg customer satisfaction and BC reputation) to see if we can move away from comprehensive data collection in favour of sampling.

   **21 December 2009**

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**Further written evidence from British Council**

As you may already know, in 2009 the British Council launched a fundamental redesign of its long term operating model. Our objective is to double the impact of our work by 2013, at the same time as to restore the purchasing power of the Government grant. Like the FCO, we have seen a significant reduction in our overseas purchasing power as a result of rising costs overseas and, most significantly, adverse exchange rate movements, compounded by the withdrawal of the Overseas Price Mechanism arrangement with HM Treasury. The savings generated by the new operating model will deliver economies in excess of the £18.2 million in efficiency savings which we are on track to achieve by the end of the current spending review period and our contribution to HM Treasury’s Operational Efficiency Programme of an additional £2.6 million in annual savings by 2010–11.

As a result of this redesign we are now implementing some ambitious changes to the way we operate to ensure that we provide value for money for the UK. This is based on a model of carrying minimum overheads, being as efficient as possible and maximising spend on our programmes.
The business transformation programme includes the following elements:

— Consolidation of our finance functions into a single main hub in India and the establishment of two centres of excellence, one in India and one in the UK. This will enable major system and process improvements and allow further centralisation of transactional activities and be lower cost.

— Consolidation of our information services into a single IS organisation, supported by a main support hub and two smaller hubs. This will increase efficiency, improve consistency and quality, allow us to make process and system improvements quickly as well as being lower cost.

— Introduction of new business practices and structures in our contracts and projects department to enable a smaller core team to manage variable workloads associated with contracts work (grant funded and income funded activity).

— Reshaping of the UK team to build up grant funded English programmes to reach a larger global audience of teachers and learners. This will involve a reduction in UK headcount and work moving closer to the market overseas.

— A streamlining of the way in which we develop and manage large scale operational programmes, involving a reduction in UK staffing and working more through our global teams and with partner organisations.

— Increasing our capacity to deliver impact through extensive digital engagement with our audiences, which will enable us to reach much larger audiences, deliver efficiencies in wider engagement approaches and thereby offering good value for money.

The British Council is aware that the FCO currently faces a significant budget shortfall for next financial year. We are ourselves examining how to fill a £11.8 million gap in our own planning for next financial year to ensure our programme spend is maintained and that we live within our means.

The British Council’s grant-in-aid is of course ring-fenced and fixed until the end of 2010–11.

11 January 2010

Written evidence from Public and Commercial Services Union (PCS)

PCS in the British Council

Introduction

The British Council is the UK’s body for cultural relations with other countries. The Council was established by a Royal Charter in 1934. It is registered as a charity in England and it is a non departmental public body sponsored by FCO, from which it receives a grant whilst itself generating income from teaching English, running exams and agency work overseas.

The Council has about 1,200 UK staff and there are about 7,500 global staff (including 2,000 English teachers). The Council has five UK offices in Belfast, Cardiff, Edinburgh, London and Manchester with an overseas presence in approximately 100 countries. PCS currently represents 760 members in the British Council.

Key issues of concern to PCS

There are two broad types of activity conducted by the British Council:

(i) Grant-funded work for cultural relations between the UK and other countries; and

(ii) Unfunded, “full cost recovery (FCR)” work mostly concerned with teaching English to fee-paying customers and administering UK exams.

The FCR work in Europe is not facing cuts—English teaching is set to increase, particularly in France and Spain.

The grant-funded work saw staff in Europe reduced by about 35% between 2006 and 2009. This coincided with the closure of libraries, which caused uproar in the media at the time.

The proposal now is to further reduce staff engaged in grant-funded work by another 10% over 2010 and 2011. The justification proffered is that this will allow for more of the grant to be directed to activities rather than overheads like salary.

PCS are concerned that staff will be reduced so much that there will be little scope for non-English teaching activity in the field of cultural relations (other than the standardised, generic products referred to below).
The Council is now in a redundancy situation, cutting 500 of its UK jobs

The British Council wants to “become the world authority in cultural relations leadership and significantly increase its impact”.

PCS recognises that there are some positive points to the change programme such as the recognition of the need for greater efficiency and the commitment to partnering. However we are concerned about aspects of the change programme including:

(i) Moving jobs from the UK to India. The types of jobs affected are in IT and finance.

(ii) Seeking partnership coalitions for the design and delivery of services so to be able to cut 40% or more of the UK jobs (this is approximately 500 jobs) as well as cutting hundreds of jobs overseas.

Early indications (ie the 90 days formal consultation letter) suggested that the 500 jobs cuts would mean the exit of 280 substantive employees and 220 temps, interims and/or contractors.

A Voluntary Early Retirement (VER) programme was launched for substantive employees seeking 280 applicants. During this exercise 931 staff requested forecasts, 391 staff applied and 332 applicants were accepted. Despite this, a subsequent request for a guarantee of no compulsory redundancies was turned down on the basis of a possible mismatch between staff needs and employee locations and a possible mismatch for future skills requirements.

PCS believes that cutting jobs in the current economic climate is wrong and the decision should be urgently reconsidered. We suspect these changes will not deliver financial benefits or savings in the long term. The Foreign and Commonwealth Office have considered similar plans but eventually decided to keep jobs in Milton Keynes.

PCS would like to reach agreement with the employer on a no compulsory redundancies guarantee. And other alternative efficiency savings should be fully explored in the first instance.

The British Council’s reputation is based on relationships nurtured with individuals and governments around the world. Each of these is unique to its specific context. PCS believe that the proposed standardisation of cultural relations is not the way to grow trust and meaningful dialogue; while it could widen breadth of engagement it would be at the cost of depth of engagement and there is little evidence of potential partners with resources to contribute. There could also be the potential for an excessive influence from new partners which risks distilling the brand, muddying identity and losing autonomy. Either way, the British Council has a poor track record of managing the kind of partnerships proposed.

In conclusion we would argue that the plans amount to transforming the British Council into little more than an image-based consultancy.

PCS is campaigning to save jobs and for a no compulsory redundancy agreement.

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