



HOUSE OF COMMONS

Foreign Affairs Committee

Oral evidence: Work of the British Council, HC 609

Monday 13 January 2025

Ordered by the House of Commons to be published on 13 January 2025.

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Members present: Emily Thornberry (Chair); Alex Ballinger; Aphra Brandreth; Phil Brickell; Dan Carden; Richard Foord; Blair McDougall; Sir John Whittingdale.

Questions 1-67

Witnesses

I: Scott McDonald, Chief Executive, British Council, and Kate Ewart-Biggs OBE, Deputy Chief Executive, British Council.



Examination of witnesses

Witnesses: Scott McDonald and Kate Ewart-Biggs.

Q1 **Chair:** The Foreign Affairs Committee is today holding a session for our inquiry on soft power, and we are looking at the work of the British Council. This is the first time that the British Council has appeared before the Committee since 2015; we are really grateful to you for joining us today. For the record, will you introduce yourselves?

Kate Ewart-Biggs: My name is Kate Ewart-Biggs. I am the deputy CEO of the British Council. Apologies for my voice: I lost it entirely over the weekend. It has now recovered, but if I go a bit—

Chair: Is that because you are an Arsenal fan?

Kate Ewart-Biggs: I would like to say so, but no—it is just random. Apologies for that.

Scott McDonald: I am Scott McDonald, the chief executive of the British Council.

Chair: As I say, thank you ever so much for coming in. We have quite a lot of ground to cover, given that we have not seen you for such a long time and so much has happened since you were here. I think the best thing to do would be to begin by giving you an opportunity to provide an explanation for people who are tuning in and paying attention to this session and may want to know what the British Council does and how it supports the Foreign Office policy priorities. Scott, would you mind explaining that to us?

Scott McDonald: The world is a more dangerous place than it has been for some time: 70% of people live in autocratic states, and one in seven people has experienced conflict in the last year. There is a clash of values around the world and a battle about how we should govern and live. The lines between business and politics are blurring. Disinformation is spreading everywhere, threatening democracy. There is a real competition for the engagement and minds of young people, who will be the leaders of the future.

The British Council was formed exactly 90 years ago to combat these specific conditions. The 1930s was a time of competing ideologies—particularly fascism—around the world, and the UK Government formed the British Council so that it could go out there and build trust between the people of the UK and people around the world that would support peace and prosperity. More practically, it was supposed to support trust in the UK so that more people would visit here, study here and trade with us, and less people would go to war with us.

Over time, we have evolved into one of the main conduits for the UK's soft power, focusing primarily on culture, education and the English language, which are not the only components of soft power, but are three of the main ones. We focus on all those things I talked about—getting people to



HOUSE OF COMMONS

visit, study and trade with us, and go to war with us less. I am sure we will talk about some of the evidence today, but we believe that we contribute directly to the UK's growth and security.

Chair: I saw your claim that you had some kind of contact with 589 million people.

Scott McDonald: Every year, we engage with about 600 million people around the world—that is from all the countries we work with. We have different metrics that we call “meaningful engagement”, where people have participated in a programme, a face-to-face event with us or a festival; that number is about 155 million. We think we do that well, and we will talk about how we track it. The other point I want to make is that we think we do it in a way that is remarkable value for the UK taxpayer.

The Foreign Office puts in about £165 million every year to the British Council, and yet if you look out in the world and at what is happening, the UK gets this £1 billion soft power superpower, we think, because we are generating 85% of the income of the British Council outside the Government. That comes from teaching, doing exams, or raising money from corporates or from other Governments, or a few other small things, which we can get into. For every £1 that the FCDO invests, we generate another £5, which helps fund the overall machine that is the British Council.

If I may have just two more minutes, I want to make one other point before we get going, which is that we think all this is at some risk, because of our financial challenges.

Q2 **Chair:** We will get on to that later, don't worry. Part of my question was also about supporting the Government's foreign policy priorities. In what way do you see yourselves being able to do that?

Scott McDonald: I have described the overall mission. As each Government come in, they have different priorities as a Government and different foreign policy priorities. This one has been very clear about their priorities on growth, security, Europe, climate and—

Kate Ewart-Biggs: Modernising our approach to development.

Scott McDonald: And development. In turn, we organise our approach behind each of those things. The way we design our strategy and execute it is to deliver those.

Q3 **Chair:** On the topline growth—everything is about growth—in what way would the British Council contribute to the growth of our country?

Scott McDonald: Let me give you some examples, because we think we contribute in multiple ways and with very big numbers. The first thing we do is to help the sectors we work for—primarily arts and culture, and education—make international partnerships all around the world. We help plug those sectors into the 200 countries we operate in and they create partnerships that create export value or other business that is going on.



HOUSE OF COMMONS

That might be something like taking the Tate's Turner exhibition to a museum in Shanghai, or it might be one of the many cultural seasons we run around the world in places like Vietnam, India, Pakistan, Australia or France, where we create hundreds of partnerships during that time. That sector is worth about £124 billion to the economy. It is one of the eight sectors in the Government's industrial strategy.

We do the same in education, where we do work to support the mutual recognition of qualifications. That enables UK universities to strike deals around the world or set up campuses. We worked for many years in India, for example, setting up mutual recognition of qualifications that enabled Southampton University to be the first foreign university to set up a campus in India, just before Christmas. We do that work right across education as well. We estimate that brokering or introducing work to be worth about £350 million a year to the UK. We also support student mobility to the UK, which is worth about £40 billion. We think we influence about 25% of the students who come here, so that is many billions of pounds. Our exams work generates about £100 million a year in revenues for the awarding bodies in the UK.

Q4 Richard Foord: You estimate that 25% of the overseas students arriving in the UK have been influenced by the British Council. How do you measure that, and what evidence do you have for it?

Scott McDonald: Among many things, we do two primary ones that bring students into the UK. In all our operations around the world, we promote the UK directly into those markets with all the contacts we have. We market, promote and share things on the UK, but probably the bigger thing is that we run the Study UK portal, which about 7 million people a year look at. We then send all the referrals into the UK universities. That sort of front of the UK is us and the 200 countries. We have done an evaluation study to try to estimate; I accept that the 25% figure may not be that precise, but the numbers are so big that even if the figure were 20% or 15%, it is many billions.

Kate Ewart-Biggs: We also work with a range of agents working right across the world who are supporting international students to come to the UK. We would make sure that those are quality-assessed, etc. It is one of the big avenues that people use. They would credit the British Council as having given them the support they needed to work better to reach more students.

Scott McDonald: Coming back to the main question, there are a few really big things that are hard to measure but are important. We support about 50 countries around the world in developing their systems to teach English. That means the whole country is better at teaching English, the teachers are better, and they will produce many millions of people who learn English. We think that underpins a lot of trade with the UK. We have not tried to estimate exactly what it is, but if people did not speak English, it would be harder for us to trade.



HOUSE OF COMMONS

The final thing I would mention is that FCDO thinks one of the biggest opportunities for growth in the years ahead is trade with the middle ground or Global South countries. That really is the heartland of the British Council. This is where we have big, long-term operations that have been on the ground for nine years with tons of trust, which we think have an impact on how many people want to trade with the UK. That is an overview of the types of things we do on growth.

- Q5 **Chair:** I appreciate that it is difficult to measure this, but to a certain extent you have given us some statistics. In terms of the things that can be measured, although I appreciate there are additional things that cannot be, is there a headline figure for which you are able to say, “The British Council, it is estimated, brings in x amount of growth for the UK”?

Scott McDonald: The hard numbers I gave you there were £350 million a year in the brokering and £100 million for the exams people. Those are very hard, so that is £450 million. If I take the 25% on the student mobility, that would be £10 billion—so let us take a tenth of that as something for the sceptics. That would be up to £1.5 billion. For the rest, I would be confident throwing in, for the teaching of English around the world and for the middle ground, another half billion. So we would find £2 billion very easy to identify, for an investment of £165 million.

- Q6 **Chair:** Those headlines are very positive and good news. I want to move on to slightly bad news, which is about the funding and your finances, which worry me. Before I do that, let me ask you something directly. Given the role that you play in soft power and growth for our country, how much direct contact do you get with the Foreign Secretary?

Scott McDonald: Typically, I meet the Foreign Secretary twice a year. The current one has been in power for about six months, and I have met him once.

- Q7 **Chair:** Okay. On funding, your accounts for the year ending March '23 were not published until March '24, and you have not published the accounts yet for the year ending March '24. Why are your accounts so delayed? Are they usually this delayed, or is it just now that that is happening?

Scott McDonald: Since covid, we have had an outstanding loan given to us by the Government through the FCDO. That has been rolling over on a one-year basis. Every year, we do not manage to negotiate the roll-over until the last possible moment. That means we cannot file our accounts until we have that rolled over, because without it we would be insolvent.

- Q8 **Chair:** March this year is when you are supposed to pay the loan back. Is that right?

Scott McDonald: That is right. When it was structured during covid—it is now a roughly £200 million loan—it was never designed to be paid back in the short term. We negotiated that at the time with the then Foreign Secretary, Dominic Raab. It was immediate relief during covid. Then the plan was that we would eventually come up with an affordable repayment



HOUSE OF COMMONS

plan for the British Council. We still have not done that, so each year it has just been rolled over for one year.

Q9 Chair: Okay. I think there will be some more questions about that a bit later, but I just want to understand. Is the rolling over of the loan the reason that you are not able to publish your accounts?

Scott McDonald: Yes. Until the loan is signed, it is unclear that we could meet our obligations in the year ahead, so we cannot file the accounts.

Q10 Sir John Whittingdale: When we had the permanent secretary of the Foreign Office before us, he told us that it was the Foreign Office's intention that the British Council should be self-sustaining. How close are you to that? Let us put the loan to one side—we can come to how and when it might be repaid. Let us say you succeed in rolling it over for the time being; are you optimistic that you can balance the books?

Scott McDonald: I think it is important to qualify what we mean by self-sustaining. The accounts you saw show that we will lose money. Remember that I said that 85% of the income we generate comes from outside the Government and 15% from inside the Government. It is our obligation—it is on us—to make that 85% profitable. We understand that.

Since covid, we have made really substantial cuts to the British Council. We cut about £185 million out of our cost base. We focused on the core areas of culture, education and English, and set aside other things that we worked on, like justice. We made all sorts of structural changes to make us more viable.

What has happened since then regarding that 85% is that all of it is subject to market volatility. It might be the English teaching business; there is competition, and it goes up and down. It might be the English exams business, which has competition; it has gone down significantly over the last couple of years just because of the reduction in immigration around the world, so the numbers there have fallen.

The other businesses we have, where we raise a lot of money from corporates to do things and to support things, also depend on the state of the economy and how much money those corporates have. The philanthropy we raise also depends on the state of the economy. That has all really gone against us over the last couple of years. It is a tough market out there—not only for the British Council, but for everyone.

We have more work to do. We are planning to take another significant chunk of costs out of the British Council—probably £250 million over the next five years. We need to do that to make the organisation more viable. Underneath that, there is support we need from the Government to make that possible and ensure we can continue to operate.

Q11 Sir John Whittingdale: Your definition of self-sustaining is that the British Council will continue to receive perhaps around 15% of its budget from a grant from the Foreign Office?



Scott McDonald: To me, self-sustaining would be that we have a solid and continuous amount that comes from the Foreign Office, and the rest we make financially viable and profitable, so that the UK essentially gets all of that for free as a soft power tool.

Q12 **Sir John Whittingdale:** Some would think self-sustaining means that you are capable of standing on your two feet without any subsidy. Do you not see that as any realistic possibility?

Scott McDonald: I do not see that being the case any time in the future, for a couple of reasons. First, financially, I do not see how it would happen immediately. Secondly, strategically, the thing that makes us effective as a soft power tool is how connected we are to the Government.

We work hand in hand with the embassies and high commissions around the world. We have a combined strategy with them for how we utilise soft power. I think what you are describing is an independent NGO, separate from Government, that funds itself. That might have value as an organisation, but that is not what we are here to do.

Q13 **Sir John Whittingdale:** I think the British Council probably should be funded in part by the Government, because you bring benefits. On the matter of the loan, if you get to a position where you are, in your definition, self-sustaining, you still have this £200 million sitting there. Is there any immediate prospect of your being able to repay any of it, or do you anticipate it simply rolling over indefinitely?

Scott McDonald: I will tell you what we have proposed, although none of this is settled with the FCDO yet. When we first took the loan, which was in the middle of covid, it was £250 million. The first thing we did was sell one of our really good businesses, the English assessment business in India, so we could pay back some of the money and show goodwill right away. We sold that business and paid back £50 million of the loan right away and brought it down to £200 million. It sits now at £197 million, but let's call it £200 million as we go through the discussion. It rolls over year by year, which we cannot possibly repay in the near term. We have proposed, as was always envisioned when we created this, a much longer-term repayment plan, over 20 to 25 years, that we start repaying two, three or four years from now.

In the meantime we will sell more assets so that there are repayments up to that point. Then we come up with a reasonable settlement with reasonable terms and pay this off over a long period that is affordable. Based on the way that it is structured at the moment, it is a high interest rate. It is pretty onerous. We pay £14 million a year in interest. Every year when we roll it over, there are a couple of million in admin costs for rolling it over, and it does not seem like a good use of our money or time.

Q14 **Alex Ballinger:** It is good to meet you again, Scott. Just sticking to the loans, part of that cost was used for your transformation programme. Could you tell us a bit more about how successful that has been and how the loan contributed to progress there?



Scott McDonald: When we were given the loan, there were two purposes to it. One was just for solvency, because, as you can imagine, our £850 million that comes from external sources went close to zero for a time during covid because there was no face-to-face business. The other was to help us rebuild those businesses so we could become self-sustaining over time. We took that and we did a number of things. We focused in on the core areas of the British Council. We redesigned our global programmes around the world, where we generally had thousands of customised programmes. We consolidated those into 16 global programmes. We did the cost cutting that I referred to earlier of about £185 million. That was 17% of the headcount of the British Council—1,450 people—and 25% in many of the core areas of the British Council. It was not an easy thing to do, and it did have impact on us. I am not trying to argue that something else should have happened. We knew we had to do that, and we did it.

The other thing we did, which was quite radical, I think, for any part of Government, was that we outsourced all of our back-office functions. Finance, HR and a lot of the IT functions went to a third-party provider because we realised we could not continue to invest in the technology required to make those businesses efficient over time, so we outsourced that. We have the value added bits still in-house, and that is working over time.

We closed 18 countries around the world that we were operating in. We took our presence out because we could not afford to operate in them. Some of those we pulled out of completely, so we have no presence now. Some of them we kind of hubbed into other areas, so we are covering them from other countries. That plan has been 90% successful. We did it. We are focused on getting it all right. The only bit that is dragging on a little bit is that outsourcing. We have realised that the outsourcing of the finance functions for 100 complex countries is more complicated than we had originally thought.

Q15 **Chair:** Of the £200 million that you were lent, what proportion was used for restructuring?

Scott McDonald: Ultimately, all of it—no, that's not right. Probably half of it was used just to meet short-term cash obligations, and half of it would have been used for the restructuring of those businesses afterwards.

Q16 **Chair:** So it wasn't more like £20 million.

Kate Ewart-Biggs: No, it wasn't. It was roughly those numbers.

Q17 **Alex Ballinger:** Lots of cost savings have been generated by the transformation and the outsourcing, but your last set of accounts, for the year ending March '23, said that there was "material uncertainty" over whether the British Council would be able to survive financially. How much of that is about the ambiguity about the repayment of the loan, and how much of it is about the genuine survivability of the organisation?

Scott McDonald: Good question. I will answer it in one second, because I missed something off my previous answer. As well as doing what I

described, we also regrew the businesses enormously. They have bounced back and they are growing, so the restructuring worked. Our English business is growing again.

Technically, the material uncertainty is that yes, we have had a one-year loan extension, but unless that is also extended next year, we will be insolvent next year. So we are living under the constant threat of insolvency because we have only one year's loan outstanding.

Q18 Alex Ballinger: So it is just the loan; it is not the rest of the business causing that uncertainty.

Scott McDonald: Yes.

Q19 Chair: Before we move on to losses, can I take us back to the financial results? When I look at your annual net income and expenditure, using the scrutiny unit analysis of British Council accounts as a source, it does seem to boomerang quite considerably. Historically, from what I understand, you were more or less even. The amount of money spent was about the amount of money that you got in, and it fluctuated a little bit but not hugely.

You were minus £9 million in '16-'17, plus £5 million in '17-'18, plus £30 million in '18-'19, and minus £7.5 million in '19-'20. But then, in 2021, you were £90.8 million in the red, and then the next year you were £80.5 million in the black. Then in '22-'23 you were £53 million in the red again, which is really something. I just wonder how that came about. It must be difficult; just looking at it is chaotic. I just wonder what was happening.

Scott McDonald: That is not reflective of the underlying profit or surplus of the business, which was very strong and growing consistently until covid, then very negative for a couple of years, and has now been consistently growing back up.

Q20 Chair: No. According to this, in '22-'23, you were £53.8 million in the red.

Scott McDonald: What you are picking up is that, with the way we do our accounts, the investment we make gets counted as an expense. The investment in the restructuring as we rebuilt the businesses will look like we were losing money that year. We were on a cash basis, but that is why the profit numbers bounce around.

Q21 Chair: And this is why you are continuing to need to borrow more money post covid.

Scott McDonald: After covid, we are not borrowing any extra money; it is the same loan outstanding that we have. The issue is that we are unable to pay it back immediately, but we drew down the end of that loan only a year ago. No one, in Government or the private sector, would have expected us to be able to repay a year after drawing down what was essentially an emergency loan.

Q22 Chair: I understand that, but if we are talking about the loan being triggered largely because of covid, in '22-'23 we were outside of covid.



HOUSE OF COMMONS

According to your annual profit and loss, you were £53.88 million in the red post covid. That is what I didn't understand.

Scott McDonald: What is happening there is that, in covid, the businesses went down to maybe 50% of the volume that they were generating, and as we come out of covid, they are growing again. As you can see from those numbers, Chair, they are growing pretty significantly—10% or 20% a year—but they have to catch up to make us profitable again.

Q23 **Chair:** I am sorry to interrupt again—I know it's me. In '21-'22, you have a net profit of £82.55 million, and in the next year, '22-'23, you are in the red by £53 million.

Scott McDonald: I will have to take a look at the specific numbers that you are citing, because the up number that you have doesn't make any sense to me.

Chair: It doesn't make sense to me either.

Scott McDonald: We lost money in covid, and we have slowly been making more money as we come out, so I don't understand your positive £80 million. We will have to have a look at that.

Kate Ewart-Biggs: It may be that the loan has been reflected in some of those numbers and not in others. We can go away and do a note on it.

Q24 **Sir John Whittingdale:** You referred to the fact that the reference to material uncertainty over the future of the British Council is because of the loan, and each year you have to go to the Foreign Office and get agreement, which you get at only the last minute. That cannot be a satisfactory situation. Would it not be much better for the Foreign Office to agree with you that this loan is going to have to be repaid over a much longer period, agree a plan for doing so, and then extend it, not to the end of the next financial year, but for the next, say, 10 or 15 years?

Scott McDonald: Yes, that is exactly what we have proposed. That is what they are considering now.

Sir John Whittingdale: They are now considering it.

Q25 **Chair:** But when you had the original agreement with Dominic Raab, presumably you had some detail in it. It wasn't just, "We're going to give you £200 million"; it was how and when you were going to pay it back. You didn't just leave the room with an agreement for £200 million.

Scott McDonald: The agreement at the time was, "We will give you this £200 million for these purposes. This is an emergency now. Go away and fix the British Council, and in time we will agree what the future repayment plan is."

Q26 **Chair:** You said earlier that the future repayment plan, as far as you were concerned, was selling off more assets.



HOUSE OF COMMONS

Scott McDonald: No, in our minds it was always going to be a combination of a longer-term repayment plan—

Q27 **Chair:** It doesn't matter how long it takes; where are you going to get the money from? If it is right that, despite the £82 million profit, which keeps looking at me, and the £90 million in the red the year before, you are generally bumping along, paying out roughly as much as you are getting in, how are you going to pay back the £200 million?

Scott McDonald: Before covid, we actually made money every year, and we used it to subsidise the rest of the British Council. When we made money in the English teaching businesses, we just did more programmes in culture and education in the pursuit of soft power. I described the future cuts that we will make. We are designing the British Council to generate a surplus again, and we will hopefully use that surplus to do a combination of paying back the loan, building up reserves and continuing to invest in the British Council.

Kate Ewart-Biggs: The surpluses were subsidising the decline in the grant in the non-ODA network, in particular—in Europe, for example, and across the Gulf, where our numbers were going down significantly, in terms of the grant that we were getting from the FCDO. We were using our surpluses to effectively prop up the work across Europe. We are obviously not able to do that now because we do not have the surplus coming in, so we see on the ground much less resource in places where we really need it.

Q28 **Chair:** Looking into the future, you are going to use the money you make on things like teaching to pay back the £200 million, so long as the Foreign Office agrees and gives you sufficient time to pay it back. How long would you need to pay it back?

Scott McDonald: Our proposal to the Foreign Office has been 20 to 25 years, because if we get that business in surplus again, we would like to have a balance between paying back the loan, continuing to invest in British Council activity and building up reserves so that if something like covid ever happens again, we will have more reserves to be able to withstand it.

Q29 **Phil Brickell:** I think you alluded to this, Kate. Hopefully you will be able to tell us a bit more about the impact, especially in places like Europe, of the cut in the non-ODA spend in the accounts.

Secondly, we talked, very pointedly, a lot about the loan, but to what extent are the terms of the loan, without going into specifics, comparable with other arms-length bodies? My understanding is that the burden that the loan places on the council is quite considerable, and we have heard some of that testimony, so it would be useful to dig into that a little bit.

Scott McDonald: I will answer your loan question, and maybe you can come back on the non-ODA and Europe. The loan is on, what I would call, purely commercial terms—as if we were not a Government entity in any way—and based on our credit rating, which, as you can tell from what I



HOUSE OF COMMONS

have said so far, is not good. They price loans off a base rate; they use SONIA these days, and ours is SONIA plus 2%. Those are far worse terms than all of the other ALBs that we have seen, and whose loan terms during covid we have seen.

Q30 **Phil Brickell:** Why is that?

Scott McDonald: I think it was because, when you are giving a loan to an ALB, you need to decide how much of it you should think of as purely commercial, and how much you should think of it as supporting Government objectives. We have always argued that everything the British Council does is for Government—we do not have shareholders or pay people a lot of money—so anything we earn is to support the Government. But the FCDO's view has been that a portion of the British Council is a commercial entity, so it needs to compete in the open market with other commercial firms, and it cannot be given subsidies to help it do that. The loan had to be purely commercial.

Q31 **Chair:** Before we move on, I will ask a couple of other questions. Is it right that your art collection is roughly the equivalent of the amount of your loan?

Scott McDonald: Yes, that is right. We have an art collection that is worth about £200 million, so you are accurate about that. We have gathered the collection over about 90 years, mainly through donations and bequests. Most of the artists we have worked with have given us art, and it is all there to support future UK artists. We take that art around the world and show off UK artists and what we can create here.

Q32 **Chair:** At any time, how much of it is in storage?

Scott McDonald: A fair bit is in storage; we probably have 20% moving around the world. We have 9,000 pieces, so it is a big collection. There is too much in storage, and we are always looking for other ways to move more of it around.

Q33 **Chair:** Is one way to sell some of it?

Scott McDonald: Yes. Let me come to that, because there is some important background. About 50% of the collection is restricted—we can never sell it because, when we took it, we promised we would hold it in perpetuity for the UK. Selling any of it would breach the Museums Association code of ethics, which we are a part of, and alienate the cultural industry, as well as the philanthropists who give us money to support the industry, but we are looking at the bits we could sell to see whether we need to sell them to bring down part of the loan. That is one of the assets—

Q34 **Chair:** On the restricted artwork, was it the Government that signed up for not selling it?

Scott McDonald: No, it would have been us.

Q35 **Chair:** So it was given to the Arts Council?



Scott McDonald: No, it was given to the British Council.

Chair: Sorry, it was given to the British Council.

Scott McDonald: Yes, we would have a famous painter give us a painting, but say, "I am not giving this to you to sell—you are holding this for the UK, and I am giving it to you to support artists, not to sell and make money." Fifty per cent. has that, and 50% does not. One of the things we proposed through our long discussions on this is if there is a way of taking part of the British Council art collection and moving it to the Government collection, and having some loan relief through that. It would then stay in Government hands and still be supporting UK art, but there has not been a lot of interest in that because of the Government's obvious financial challenges at the moment.

Q36 **Chair:** But 80% of it is in storage anyway. If half of it is not restricted, instead of those being handed over to the Government in exchange for paying off the loan, can you not just sell it?

Scott McDonald: We could sell it, and we are exploring what we can sell of the 50% that is not restricted. In fact, it is a good point: everything the British Council has, which is not that much anymore, we are exploring selling. We have 40 buildings left around the world, which are worth about £126 million. About half of those we cannot sell because they have been given to us by other countries with the expectation that we would not sell them, but we could sell some of it. We have the art collection, and we could sell some of that. There are a few other discrete assets we could sell. From our perspective, it is not a great place to be in, but the British Council is in financial peril at the moment, so we are looking at selling all of that.

Kate Ewart-Biggs: Your question was about what we were doing in Europe and what our ambitions are for Europe. Obviously it is a big part of this Government's agenda, and we really welcome those efforts because our bilateral relationships with the 27 member states where we have offices has been really important post Brexit and post the departure from Erasmus and Creative Europe. We have seen a real decline in the numbers of students coming to the UK from Europe, but also in the number of partnerships between creative institutions as well.

One of the things that we know countries and particularly the young people in them want is mobility. We would have a plan for the growth of mobilities of both students and professionals across Europe and the UK. We would want to run a big programme of major grants to address the challenges faced by the loss of Creative Europe, for example. But we would also want to work with eastern Europe, where we are seeing the issues around disinformation for young people are very real at the moment. We have had a very successful programme running in the Baltic states¹—the 21st century skills programme, which was funded by the

¹ Note by witness: When saying 'Baltic states' I misspoke. What I meant to say was 'Balkans'.



HOUSE OF COMMONS

FCDO, which is essentially giving young people in schools right across those countries the skills to understand disinformation and to fight it. We would like to do much more of that work.

We would also like to look at the issue around European security and working with young people in Poland and the countries surrounding Ukraine. During the war, we have done a lot of work with displaced young people and teachers to teach through resilience. At the moment we only spend about £8.5 million on a programme across 27 countries. We think that is not enough and we will be pitching within the CSR for an uplift and non-ODA grant in order to reach some of those ambitions.

Q37 Richard Foord: I appreciate that those are examples, but what makes you suppose that there is demand in those places for those sorts of things? One thing that made me question it is that there is actually very good disinformation training and education in Nordic and Baltic states; they are very far advanced in that area. In fact, do you think that perhaps the UK could learn from some of the education on disinformation over there?

Kate Ewart-Biggs: In all our relationships in whatever country that we are in, mutuality is at the very heart of it. So, yes, there is always a mutual learning going on. We have seen, in the Baltic states, the continuation of wanting to evolve that thinking, and they have really welcomed Britain's input into that. But, as I said, there are many other countries across the western Balkans, for example, where this kind of work is really important and less developed. It is always about taking the lessons learned and putting them into new countries as well. We feel that there is a huge demand for this type of work and innovating within it with digital means and sources as well, which young people need.

Q38 Aphra Brandreth: I have some questions about the losses that are recorded in the accounts. Looking at the 2022-23 accounts, they show the British Council recorded 356 instances of losses—where money was lost with no benefit to the organisation. Those losses resulted in £2.6 million being wasted in 2022-23. It looks like the largest of those was a £1 million loan in China, which was written off. Can you provide a bit of detail about what happened there?

Scott McDonald: You are probably covering two categories of things there: bad debt and fraud.

Aphra Brandreth: I am looking specifically at the losses, but I do want to talk about some of the fraud separately. I will let you expand and then I can chip in on the two bits.

Scott McDonald: I will leave fraud aside for now, and maybe we will come back to that.

Because we are running a large commercial business that is the size of a FTSE business, we have lots of relationships with partners around the world; those might be venues, people doing exams for us, a franchising arrangement for people to do teaching for us, and a whole variety of other



HOUSE OF COMMONS

things. In the portfolio of a nearly £1 billion business, you would expect a significant element of bad debt. It is your job over time to manage it, and you would not expect to eliminate it.

Generally, what will happen to us in the biggest case where we have write-offs is that we have a partner—for instance, the venue where we are doing exams. It is a joint venture with them: they provide the venue and the people, and we provide the English expertise and the exams coming through IELTS. We work with them over a number of years, but some of them occasionally go bankrupt or go under, and we have procedures in place to prevent and minimise that.

There are a couple of examples I do know; the China example I do not know. We will have to get back to you on that.

Q39 Chair: But it is £1 million. You ought to know. I am sorry to interrupt, but you should know, should you not?

Scott McDonald: I should know—it is a £1 million. I just don't know that one.

Q40 Aphra Brandreth: It would be helpful to come back to that.

We have talked about why the accounts for the 2024 financial year have not been published yet, but do you anticipate losses will be at a similar level? Are you trying to understand it? This is being managed over time; where businesses might become insolvent, are the contracts you are using robust enough to minimise the impact on the British Council when that happens?

Scott McDonald: It is very high on our priority list. We have good processes around it and, by any sort of benchmark, compared with other businesses, we do pretty well. I would also mention that any money being lost there is lost on the commercial 85% side of our business. It does not cost the UK taxpayer a penny; the impact is sustained by the British Council. I think what you are getting at is whether we feel we have strong processes. Yes, we do. Do we feel we minimise the losses? Yes. Will we still have some, over time? Yes.

Q41 Aphra Brandreth: Focusing on the fraud aspect, again looking at the 2022-23 accounts as the latest that we have been able to see, the accounts state that "The British Council continues to make progress in detecting fraud across all areas of its operation as well as improving the counter-fraud culture and helping to keep further fraud to an absolute minimum." The fraud report for that year lists 126 cases of fraud—126 in a single year, which seems quite substantial. Talking about keeping fraud to an absolute minimum, do you feel you are achieving that?

Scott McDonald: Let me quote from the UK's Independent Commission for Aid Impact report on our fraud team, which says that "The British Council has robust fraud measurement systems, a strong organisational culture that prioritises transparency and accountability, and high standards in fraud management compared with other organisations." So

the answer to your question is yes, I think we have a good culture and good processes around that.

The numbers you cite do feel high, unless you are running a business that is in some ways a consumer business; we have millions of interactions with consumers every year. Someone trying to cheat on an exam is an example of fraud. Among the millions of people we are dealing with, trying to get an advantage that way is an example of fraud. That is why although the numbers—one hundred and something—seem high, in the scheme of millions of touchpoints, I do not think it is very high.

Kate Ewart-Biggs: Compared with our income, we estimate in 2023-24 that it would be 0.02% of our income. Any percentage is too much, but that is quite light if you think about the volumes of IELTS exams taken around the world in some really challenging environments, where the fraud culture is high, essentially.

Q42 **Aphra Brandreth:** What the trend is showing is also interesting. Obviously, we have not seen the latest set of accounts. Do you expect instances of fraud to go up or down, or to remain relatively the same?

Scott McDonald: In everything, whether it is fraud or safeguarding or other things, over time we would like to see the number of instances reported go up, to show that our systems are working well, and the amount to go down. Fraud overall has been relatively consistent for the last several years. It costs us about £150,000 every year, and it is about 100-and-change cases each year. It has been consistent. We have a really good team that comes from outside Government—ex-police or similar—and they have instituted what I would say is a good fraud culture across the organisation. Every single one of us—all 9,500 people at the British Council—have to do fraud training every year.

Q43 **Chair:** May I clarify something? In answer to the question about the 126 cases of fraud, you said that, of course, exam fraud is a type of fraud. Are you including that in the 126?

Scott McDonald: Yes. All sorts of cases of fraud that result in some number would be in there.

Q44 **Chair:** Is the 126 purely financial fraud, or does it include people cheating in their exams?

Scott McDonald: It also includes exams.

Q45 **Chair:** Is it distinguished anywhere?

Scott McDonald: Yes. I do not have the breakdown of the numbers here, but I can provide them. I think we have pretty detailed measures on that.

On the types of fraud that we have, we find some in procurement, where people are trying to cheat us or working with our own people to cheat us on things; in expenses, where people try to overinflate their expenses; and in exams, which are quite unique to us, with the fraud around



HOUSE OF COMMONS

cheating. One of the hard things in exams is that, whether it is on paper or online, you have to keep the exam secret and at the same time have millions of people write it. There is lots of organised crime that tries to access those exams.

Q46 Aphra Brandreth: You are saying that fraud seems to be fairly consistent over time. Is there anything that you think the council could do further to reduce fraud and try to get it on a downward trend?

Scott McDonald: Yes. In preparing for this session, I asked our fraud team how comfortable they are, and their answer was, "We're comfortable and we're doing many good things, but we're not complacent." The fraudsters seem to innovate at a pretty fast pace, so we continue to invest, we continue to try to have more digital solutions to address fraud, and we continue to increase the training.

Kate Ewart-Biggs: The training and preparation of staff is really important. If you think about the environments we work in all over the world, it is really important not only that our country directors and other teams keep an eye out for everything and report things or investigate, but that they have the support of the specialist team in the centre who really know what they are doing. I have worked overseas in the British Council for many years, and know that having that really professional central expertise is critical. We could do with more of it, to be honest. Our resources are tight, so we have to keep those types of central teams quite small, but they are an essential part of our tool armoury.

Q47 Richard Foord: I want to talk a little about the numbers and proportions of staff over the five-year period around covid, between 2018 and 2023. I understand that the British Council employed 30% fewer teachers at the end of that period than at the beginning. What are the reasons for that, please?

Scott McDonald: I mentioned before that between right before covid and now, we reduced the British Council headcount by 17%. We did that in targeted areas where we were either unprofitable or simply did not have enough money to fund the things we were trying to do. One of those areas was teaching.

One of our challenges has been this. We have taught English now for close to the 90 years we have been around. We think it is an important part of soft power and an important part of what the British Council does, and we do it not only to generate income but because we believe it builds trust and affinity with the UK around the world. But the teaching business has not been profitable for us for a long time, so when we got into trouble during covid, one of the decisions we took was that one of the places where we cut quite deeply would be in teaching, to try to make it back to at least break even for us. That is why you would find big numbers there.

Q48 Richard Foord: Over the same period the number of senior managers recruited by the British Council increased by 22%. What were the senior managers being recruited to do, and how has that changed the nature of the British Council's business?



HOUSE OF COMMONS

Scott McDonald: That is a good question, because we did have to change business model. When we cut significantly during that period, we had to look at what our role and our function were. The simplest way to think of it is that when we did programmes before we often did everything: the conceptual design, the organisation, the network to bring people together, and then the delivery of that programme on the ground, with lots of hands running around, setting up events and things like that. We had to make a decision: “If we cannot afford to do all of that anymore, what are the highest value pieces for the UK?” We thought the highest value pieces were the design of the programme and the organisation, and a lot of the running—the more junior work—could be done by others, so there was a shift towards more senior people, who were doing those first pieces, and we reduced some of the junior people actually executing the programmes.

Kate Ewart-Biggs: A lot of the junior people were generalists, so they would not have had specific arts or educational English backgrounds, but they were incredibly good at doing the stuff, as Scott says. We invested in more specialist roles as part of that senior cadre too.

Q49 **Richard Foord:** How did that change the output and what the British Council was producing?

Scott McDonald: In the end we were producing something similar. Take for example a programme to help young girls in the north of Africa with digital and English fluency. The questions were: how are we doing it, how much does it cost to do and which parts do we choose to do ourselves?” All organisations do that over time: they gravitate towards the bits in the value chain that they think they do best and have added value. That is essentially what we did. We said that with the actual execution of it, maybe there wasn’t value for us doing that on the ground any more, but we still had enormous value in designing it, organising it and pulling all the partners together.

Q50 **Richard Foord:** Until 2019, you published an annual gender pay gap, but I do not think it has been published since then. Why did you stop publishing the gender pay gap at that point?

Scott McDonald: I think you have just missed it—we have continued to publish it. The most recent one we published was 2022-23, and our average pay gap fell from 16% to 15%. Three things are really important about that gender pay gap. None of it is driven by—in UK law—unequal pay. We pay men and women the same at each level. It is driven by two things, and one vastly outweighs the other. First, in the top half of the people we pay, 49% of them are women. There is a slight imbalance; there are slightly more men than women, but marginally. We have a number of initiatives in place to get that up to 50:50, which will close a tiny portion of the pay gap.

The biggest portion of the pay gap is driven by the fact that in the lower half of our pay group, 65% are women. I think it is a type of occupational segregation: we have lots of jobs that appeal to women, both in the UK and around the world—although that does not come into the UK pay gap.



HOUSE OF COMMONS

It is much harder to address that, because you either try to remove the women from the bottom half, or you end up promoting them all through and you have 65% women right up to the top and it takes longer to address.

Q51 **Richard Foord:** But it seems to have been going in the wrong direction. I wondered how you would account for the gender pay gap having doubled over that five-year period?

Chair: Isn't the point that, although you publish the pay gap, you do not publish the detailed analysis explaining why. You used to publish a detailed analysis until 2019. Obviously you have to publish the gap, but you are not giving the analysis, and that coincides with the gap having got bigger. That is the thing that we do not understand.

Scott McDonald: I guess there are two points. I do not think what you said is right, though—our pay gap is going down over time.

Q52 **Richard Foord:** The statistics that I am looking say at that it was 10.9% in '17-18 and 20.7% in '23-24.

Scott McDonald: Okay. Chair, I am sure you are right on whether we publish the detail or not. I am not sure why we have stopped publishing the detail; certainly we have nothing to hide there.

Q53 **Chair:** Given that it coincides with the pay gap getting worse, it might be a good idea to go back to doing it again, so that we can look at why it is happening.

Kate Ewart-Biggs: The reasons are clear. We are a brilliant employer of women around the world. In many of the environments that we work in, other professions are quite difficult for women. Women tell us that they feel extremely safe in these environments. Changing that would be difficult, because we do not want to stop interacting with those brilliant women. We have equity now at our senior levels. That has been an important shift for the organisation.

Q54 **Chair:** I wonder if you could have a think about Richard's questions, because they are important. If we are right that you are no longer publishing the detailed analysis and that coincides with the pay gap getting worse, then before you can do anything about it you need to understand what has happened. We would appreciate it if Richard's questions could prompt you into having a think about that and writing to us.

Scott McDonald and Kate Ewart-Biggs indicated assent.

Q55 **Richard Foord:** Finally, do you have information on the pay gap in relation to diversity?

Kate Ewart-Biggs: We have an ethnicity pay gap. At the moment, the average pay gap is 14.6%. Again, that is to do with having more black and ethnic minority staff at more junior levels. However, we have seen good progress in promotions and we have a number of active programmes that



HOUSE OF COMMONS

are working, particularly in the UK, with our ethnic and minority colleagues to provide them with opportunities in more leadership positions.

Bear in mind that these stats are to do with the UK only. As a global organisation, the vast majority of our staff are nationally appointed. In sub-Saharan Africa, about 98% of our staff are African. These stats are about quite a small number of people. But we have some targeted intervention through our anti-racism plan, which looks at this in the UK and globally. The UK is very much about representation at more senior levels.

Chair: Blair, I think you have some questions on measuring soft power.

Q56 **Blair McDougall:** Yes. Mr McDonald, you opened very big-picture—talking about the global battle that is taking place and the context you are operating in, where there is a military, economic, ideological and cultural struggle going on between countries—and yet our conversation today is about taking hundreds of millions of pounds of cost out, disposing of assets, flogging the artwork and things like that. Do you feel at times that you are being sent into that battle unarmed, given how much investment you get from the Government?

Scott McDonald: Thank you; I could not have put it better myself. We get £165 million from the Government every year. I want to put that into context, so let's think about some other countries that are close by and probably have similar objectives to ours. Germany puts equivalently about £900 million into the same thing; that is the combination of the Goethe-Institut and DAAD, so culture and education. We do both. France puts £600 million in, Spain puts £900 million in, Japan puts £600 million in and we think the Chinese probably put more like £10 billion in, so we are fighting with the smallest amount by far of any developed country. We estimate that even a relatively small country like Portugal puts £250 million into the equivalent of the British Council.

Over time, we have been able to address that because we generate so much ourselves. If you go out in the world and ask what the most effective soft power organisation in the world is, every single person in the world will tell you it is the British Council. That is because 85% of what we are doing we are generating ourselves from other sources in the Government, so for that £165 million, it looks like there is £1 billion out there in action around the world. What we are really seeking, as we go into this next spending review, is an increase in that core grant so that we can continue operating in the places and doing the things we want to do.

But we also want the FCDO to work with us and to understand that that 85% is volatile. As it bounces around over time, which it will—and I do not think that that is because it is badly run; it is just that we are running a real business in volatile markets—we do not want to have to keep shutting down a whole bunch of the British Council because our English teaching business slowed, then get more money, build up some of the British Council and then shut it down. I would love, ultimately, to have some sharing arrangement with the Government, where we could say, "Here's



the amount we invest in our main soft power asset, but if you have a bad year with the rest of the money you're trying to generate, that might be a bit more, and if you have a really good year, that might be a bit less."

- Q57 **Blair McDougall:** When you made the comparison with competitor nations, including friendly and less friendly nations within that list, you defined it in terms of the inputs from the Governments. How do you measure the comparative success of the outputs? The Chinese Government invest 46 times as much as us in their soft power apparatus. What outcomes are they delivering that we are not able to deliver at the moment?

Scott McDonald: The best things we have to measure the entirety of it are, at least at the moment, the various soft power surveys—whether the Brand Finance survey or the UK Government's own survey—which ask, "What is the attractiveness of the UK as a country, and how have culture and other things affected that?" The UK, over time, has consistently been very high. Some of that was because of the British Council, because we have been out there and have been very effective. The UK has generally been No. 1 or No. 2 in those studies, compared with all those countries that invest far more.

However, in recent years, that has been coming under pressure. We have been starting to slip, particularly in those middle-ground global south countries, which have some options on which countries they want to look to and work with. I think that part of that is driven by the investment of some of our challengers out there in the world.

Kate Ewart-Biggs: What the Chinese do not have is English. English is one of the biggest soft power tools that we have. Our competitors also do not have English, but they do have a lot of presence. They have a lot of offices; the Confucius centres have grown enormously. One of the metrics used in soft power indices is representation in countries—the number of places that have Confucius institutes and so on.

- Q58 **Chair:** Sorry, but I am having some difficulty in understanding this; I hope that I am representative of others who might be having difficulty. I think that Blair's question is "If the Chinese are spending so much more money and being more effective in southern Africa, let us say, what would I, as an African in Zambia or somewhere, be getting from the Chinese that would be different?"

Scott McDonald: The Chinese model, as I think you all know very well, is quite different from ours, in that it is a fully integrated model. I am not the designer behind it, so I may not have it 100% correct, but it is a much more integrated approach: "Here is the economic support for the country—we will build roads and ports; here is the cultural support; here is the language support; here is the huge scholarship programme for your students to come to study in China and learn about China." It is a very integrated approach. Ours, I would say, is also co-ordinated.

If you are one of those countries, you get interest, support, best practice on how to develop regulation, views on values, money, and scholarships



HOUSE OF COMMONS

for all your students to go and study. What does China or the UK get? We get the flipside of that: we have more people visiting, generating tourism revenue; we have more people studying here, generating revenue; we have many more people trading with us; and when there are big, global problems, when we are looking for votes at the UN or for alliances and support, we are more likely to get them. Those are the two sides.

Q59 Blair McDougall: Finally, you have mentioned the advantage that we have with language. We also have the BBC, our cultural outputs, our rule of law and our historical ties with a lot of these countries. Do you think all those advantages make us complacent? Is that why we are not investing as aggressively as other countries are? Do we assume that those advantages will just continue in perpetuity without that investment?

Scott McDonald: I think there is an element of that. English does give us a huge advantage, and we have used it well over time. The British Council, as I have mentioned, is working in 50 countries right now, and we are not just teaching people but designing their whole education systems.

Let me give you a specific example to try to bring it alive. I was in Colombia this year. Colombia is at that spot in the world where they need to decide where to lean: they could lean east, they could lean north or they could lean somewhere else. We are working in the three big cities there, developing the public school systems to become bilingual in Spanish and English. If we were not there doing that, they might become bilingual in something else. The frustrating thing about working in soft power is actually finally getting to the metric. Hopefully, as you go through your inquiry in the years ahead, we will get closer, but I am pretty certain that their speaking English rather than another language will increase trade with us.

Kate Ewart-Biggs: We really welcome the soft power council that is being launched on Wednesday, but that does need investment. As you say, the UK has some incredible soft power assets that are still at the very forefront of what people find attractive in our country. We know that from our research. We do a global survey every other year into what young people in the G20 countries think of the UK, and it tells us over and over again that our most important assets are education and creativity in the arts, as you say, but also things like open democracies and so on.

You cannot be complacent. We did see a little dip over time. During the 2019-20 and 2020-21 period, there was a little dip in the UK's attractiveness. Actually, it has gone back up again, but we cannot be complacent.

Q60 Sir John Whittingdale: When you talked about the British Council's programme, you referred specifically to the EU and the Baltic nations. I visited the British Council office in Latvia, and people there talked about their programme of supporting, I think, 40 projects. To give you an example from the website, that includes work to "develop socially creative and inclusive arts and culture platforms and...promote a mutually respectful dialogue between different groups and communities...based on



shared experience”.

That is a very worthy project, but why is the British taxpayer paying for it? Latvia is a developed European nation, and this is an internal project to support communities within Latvia. I am not quite sure why the British Council should be doing it.

Scott McDonald: Part of the underlying rationale between a lot of those programmes is to support community cohesion and people’s ability to understand information and disinformation, make informed choices and have a strong view on the future of the country and the direction they choose. Latvia is developed, as you say, but it is also at the frontline between us and Russia. The young people and communities in Latvia need a communication conduit to the UK and UK people, and they need to be reminded of what our case is for democracy, free speech and all the things we believe in.

Q61 **Sir John Whittingdale:** I am not quite sure why countries where democracy is well established—I do not want to talk specifically about Latvia, but I am thinking particularly of member states of the EU—should be a priority for us. They share western values, have democratic Governments and are reasonably well resourced. There are plenty of countries that do not have that; perhaps they might appreciate it, or it might be more valuable there.

Scott McDonald: I agree. Take France, for instance: we are not in France trying to build community cohesion or talk about disinformation. In France, we are trying to connect the UK culture industry to the French culture industry to generate business and growth. It is the same with education, or possibly with young people having communication across countries so that they will come up with interesting ideas for innovation and growth in the future. We swing the balance of what we are trying to do: what we are doing in France looks very different from what we are doing in Nigeria or Indonesia, for instance.

Kate Ewart-Biggs: What they are interested in is collaboration at the higher education sector as well. Scientific and other collaboration in higher education is still of huge interest to European Governments, and we can provide a kind of brokering role in that.

Q62 **Sir John Whittingdale:** Trying to encourage students to come to British universities and to foster collaboration is perfectly worthy. It is about projects that are not specifically related to the UK and on which you are spending money at a time when you are under huge financial pressure. I wonder whether in some of the areas you could not actually step aside and say, “Well, this is not really in our interest. We’ll leave it to the Governments concerned.”

Scott McDonald: It is a fair point, and there is a constant evolution of the programmes that we do. We are accountable to the FCDO, to you and ultimately to the taxpayer to make sure that we can justify why those programmes are adding value to the UK in one way or another. It might be directly through growth, or it might be through things that we are



doing in far-flung, dangerous regions of a country, where we think we can turn people against extremism towards employments to cause us fewer problems in another way. We are always testing whether we can justify those programmes. You are right that sometimes, over time, a country evolves and we no longer need to do certain things there, or the programmes evolve.

Q63 Chair: I have just one further question—does anyone else have another one? Due to my brilliant chairing, we are finishing early. Actually, I have two questions. First, what else do you think you should be doing? If you were allowed to do anything else—if you were allowed to start a new project, perhaps in a new area—what would you like to do that you are not doing at the moment?

Scott McDonald: We think that we are in the right headline areas and have the right purpose, and that the theory of change we have is good. There are three big areas where we think we can help the Government agenda. The first is on re-engaging and rebuilding with Europe. Our connections in Europe have remained incredibly strong through the last 10 years. We are one of the only pillar-assessed UK organisations, which means we can engage in fora that others cannot and we can get funded by the EU. Some of the projects that the British Council does around the world are funded by the EU, and that means we still have very strong connections across Europe and there is a lot we can do, particularly to help generate growth. We would like to do that, and that is the first plank.

The second plank is this. We think our relationships in the global south and middle ground are as strong as anyone's. They are historical and very trusting. As we try to develop stronger relationships with those countries in the way the FCDO talks about—in a new, modern, mutually beneficial way—we think we can really be a linchpin of that, again to help drive growth in places.

The third thing is the whole area of security, peace and particularly disinformation. We think that we have a big role to play in all the fault-line states and many other spots around the world. We have not talked about it much today, but we can operate in many of the spots in which the UK Government struggle to be effective: Venezuela, Myanmar, Cuba, Yemen, Iraq—I could go on and on. Because of the personality of the British Council, we are in there; we continue to have people-to-people connections and we are a conduit for dialogue.

Those are three things that we would like to amp up and do more. We have not really been able to get across today just how stretched we are with this £165 million that we have. We recognise that everyone is stretched these days, but we are threadbare through the world. With that, combined with the pressure we have on the 85%, I have really been trying to get across to the FCDO that there is real financial peril here; it is not just us moaning for more money. It is possible, if we do not get the loan right and if the 85% declines at all, that the British Council will not be here in a year or two. I am not just trying to defend it from disappearing; I



think it would be an enormous blow to the UK—it would be a retreat and a massive win for Putin’s Russia—if the British Council disappeared.

- Q64 **Sir John Whittingdale:** I have one last quick question, which is a personal one, because when I was in government, I was responsible, along with my colleagues, for establishing the cultural protection fund, which we were extremely proud of and which the British Council administers. I think it does a very important job, but given the financial constraints you are under, can you say a word about the current state of it and its prospects?

Scott McDonald: It is a fantastic programme. The cultural protection fund basically takes the UK’s expertise in how to protect heritage—sometimes that is physical and sometimes it is not physical—from the ravages of war or climate. It is a wonderful relationship builder with countries around the world. We operate really interesting projects in the middle east and in south Asia. Probably the most relevant example right now is in Ukraine, where we are working on several initiatives and sites, protecting old buildings, archives and things like that, so that hopefully, after the war, they will still exist and Ukraine can benefit from them. It has been funded by DCMS, as it was when you set it up. It runs at about £10 million a year. I think it has one more year to run, and we are currently in discussions with DCMS to see what the future of it is.

Kate Ewart-Biggs: I think we have just had confirmation of the roll-over for the next year at the same level. Basically, to date it has been £50 million in 19 countries and 159 projects, all of very high quality. We think it is an incredibly important part of our soft power assets, particularly as the world becomes more dangerous and more destroyed. We know that culture and heritage are at the heart of a country’s reconstruction. Whether that is its music, its buildings or its museums, it is really important. We will be pushing hard for the settlement for the following three years.

- Q65 **Phil Brickell:** It was mentioned near the start of the session that the British Council had exited a number of countries because of not being able to afford to continue. Are you able to share which countries those are, but also how that determination is made and to what extent you consult and discuss with the FCDO proposals to exit from countries prior to that taking place?

Scott McDonald: Let me talk just a bit about geographic prioritisation. We do that prioritisation based on several things. One is what the Government care about. What are their foreign policy objectives? Where do they think the most important countries are? Another is what the sectors care about. Where does the arts and culture sector want to do business? Who does it want to work with and have us on the ground helping? It is the same with the education sector.

I should mention the four nations of the UK. A lot of what we are talking about here is devolved, and they have their own views. Scotland has its own education strategy, as do Wales and Northern Ireland. They have



HOUSE OF COMMONS

similar things in culture. We take those into account and then we take a view. Can we be effective in these countries? Do we have the relationships? Are we able to operate? We take all that to come up with a geographic prioritisation, and then work very closely with the FCDO on that.

When we closed in countries, we were in a state of real financial weakness, so the FCDO had more input than they would perhaps normally have, because they were calling a lot of the shots at that point. We closed in Afghanistan, Kosovo, Malta, Namibia, Sierra Leone, Slovenia, South Sudan, Switzerland, the United States and Uruguay, and we hubbed—we tried to keep presences but we took the people off the ground—in Bosnia and Herzegovina, Croatia, Kosovo, Malta, Montenegro, North Macedonia, Slovakia and Switzerland.

Q66 Phil Brickell: Over what period of time were those closures that you have just mentioned?

Scott McDonald: That was all after covid, so we did that in one shot a couple of years ago.

Kate Ewart-Biggs: It took about 18 months.

Scott McDonald: One of the challenges we have right now is that, along with everyone else in the Government, we are putting in a pretty strong pitch to the spending review along the lines that we have talked about; we are asking for that £165 million and we are asking for an extra £75 million. We think that if we do not get any of that and if we do not get any support on the loan, we will have to look at closing a lot more countries—probably more like 30 or 40 countries. We are working through now what that means for us economically, but we really hope we get to an answer with the FCDO and we can prevent that, because I think it would be disastrous for the UK.

Q67 Blair McDougall: When we had the BBC World Service in front of us, they had a very specific example of where they had withdrawn from a particular bandwidth with their Arabic service and the vacuum had been filled by Russian state broadcasters. You mentioned earlier a hypothetical situation: if we were not in Colombia, would they be bilingual in another language? In the countries that you listed, are there specific examples you can think of where the vacuum has been filled by other nations?

Scott McDonald: In probably all the countries along the border with Russia, we have lost some ground, but a few other things happen when we withdraw. You think initially that we might save money as the UK, but then almost immediately the embassy realises, “We need culture on the ground, and we need education on the ground, so we’ll have to put them into the embassy now,” and they end up just hiring people in the embassies, but they do not have the same network to plug into as they would have at the British Council. It ends up being quite a bad deal for all of us.



HOUSE OF COMMONS

Kate Ewart-Biggs: People really care on the ground. When I say “people”, I mean Education Ministers and so on. I was in Montenegro, where we hub and spoke, so we were trying to run a programme there but we had no presence. Our UK ambassador was extremely unhappy and the Minister of Education was very vocal about the loss of so much of what his country needed in terms of education and cultural support, particularly in the area of young people and disinformation.

Chair: As there are no other questions, I thank you very much for coming in. I hope that you found it valuable; I know that we have. It has been really important for us to understand where you are at this difficult time for all of you.

We have made a note of the things that we hope you will write back to us about—the £1 million loss in China, the breakdown of different types of fraud, and details of the gender pay gap over the last few years—and we will clarify my questions about the fluctuations of net profit and loss in the years since covid, because I am afraid that there was something wrong. It is important to understand that, because, on the basis of what we were shown, it really does not look very good. If there are explanations, we do need to have them.

I hope that I speak on behalf of all the Committee in saying that we wish you well and all the best in the in the next few months. Thank you very much again for your time today.