

Foreign Affairs Committee

Oral evidence: The Work of the British Council, HC 609

Tuesday 28 October 2025

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Foreign Affairs Committee Members present: Emily Thornberry (Chair); Fleur Anderson; Alex Ballinger; Aphra Brandreth; Phil Brickell; Dan Carden; Richard Foord; Uma Kumaran; Abtisam Mohamed; Sir John Whittingdale.

International Development Committee member present: Monica Harding.

Questions 68-115

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.

Chair: Today the Committee is again hearing evidence from the British Council. The British Council has an important role to play in the UK's soft power influence but, as it is a public body, the Committee wants to see that it is spending public money well. We have therefore asked our witnesses to come back and see us. May I ask them to introduce themselves for the record?

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

Kate Ewart-Biggs: I am Kate Ewart-Biggs, the deputy chief executive.

Q68 **Chair:** Thank you very much. You came to see us last in January, but since then, there has been a spending review and the next Budget is around the corner. Mr McDonald, I want to ask you a general question to begin. What changes have occurred since we saw you last?

Scott McDonald: It is a timely moment for us to come back to the Committee, because I last saw you in January. This Government will have been in power for 16 months in November—time flies. We have had 16 months of negotiation on our financial discussions with the FCDO. We have made close to no progress and everything has now stalled. There is an urgent need to have resolution on our covid-era loan, which continues to pose a significant threat to our financial stability—

Q69 **Chair:** For those who did not hear the last session, how much is the loan?

Scott McDonald: £197 million.

Q70 **Chair:** And how much interest do you pay?

Scott McDonald: It is a floating interest rate, so somewhere between £12 million and £15 million a year, depending on the interest rate.

Chair: Sorry, I interrupted you.

Scott McDonald: That is one thing that we need to resolve. We also need to resolve our grant in aid. There has been a spending review. The Foreign Office now has its allocation, but it is yet to allocate that within the FCDO. We have some urgent questions around that if we are to maintain our global network, and there are a number of other open issues including our ability to use the cash from assets that we sell. Since I last saw you, we sold our school in Madrid, which we have had since the 1940s, for nearly £50 million. That money is sitting in the bank. We are unable to access it to proceed with our restructuring—I assume we will come back to that topic later—so there are some really urgent things to address.

Q71 **Alex Ballinger:** When we looked at your last corporate plan, it showed a forecasted loss of £22 million, but previously the forecast was a profit of £5 million. You have outlined some of the challenges that you faced, but

please could you go into a bit more detail about why the forecast has changed so dramatically?

Scott McDonald: I will go back all the way to covid. We had a very tough time during covid because our face-to-face teaching and exams businesses essentially disappeared. We took a decision, at the time, to do some significant restructuring at the British Council so that we could be affordable. We looked out and tried to decide what the forecast would be. We cut our headcount, at the time, by 17%, and we cut expenses by precisely £180 million. We thought that would be enough.

Since then, several things have happened. We have three main income streams: teaching, exams and development contracts. All three have continued to come under pressure since covid, or even more so than at that time. For example, our main competitor and partner in the IELTS business—which is the big English exams business—is IDP, a commercial Australian firm. Over that time, its stock price has fallen from roughly \$40 to \$6. That shows how tough those markets are, from a competitive and technology basis.

We have also suffered in terms of our ability to win development contracts. The UK spends less on development, as you are well aware, and now that US aid is gone, most of the countries around the world are following, so there are fewer development contracts to win.

We have also suffered enormously from inflation being higher than expected. Inflation was running at about 5%, rather than closer to the 2% expectation during that period, so that is an extra £30 million a year, and we have had pretty extraordinary FX losses because of the strength of sterling. That, again, has been about £25 million a year.

All those things have happened, and we are facing that and saying, “Okay, we got it wrong. We didn’t get the forecast right. We need to make more cuts.” And that is what we are doing. We have a second restructuring plan, which we are rolling out right now, which has savings and growth in it of £420 million. It has further headcount reductions of 26%. Combined with the first plan, that means we will have shrunk the British Council by 43% of our headcount. It has country closures of 35 countries on top of the 10 we closed after covid, so we will close 40% of the British Council country network around the world unless we get more grant. It has asset sales of £90 million, which is close to everything that we own, with the exception of the art collection, which I am sure we will discuss later. However, it is all the buildings, it was our school and other things, and it includes some major investment in online and digital.

Q72 Chair: Do you mind if I raise the business of the art collection, because you know I have a thing about it? How much is your art collection worth?

Scott McDonald: About £200 million.

Q73 Chair: That is about the size of your debt. It is something that I have suggested to you and to the Foreign Office: why is the ownership of that art collection not simply transferred into—let’s say—the hands of your



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debtors, the Foreign Office, to pay off that debt? Has anyone discussed that with you?

Scott McDonald: Very little. Let me give a really clear answer about the art collection, because I know it came up last time. There are about 9,000 pieces there. It is worth about £200 million. However, 50% of it is legally restricted—it was given to us on the basis that we would never transfer or sell it. But that means 50% of it isn't.

Chair: But it would remain in public hands if it was owned by the Foreign Office.

Scott McDonald: Yes, and I will come back to that because it is a good point. Given our financial situation, we have explored everything. Should we sell the whole thing? Should we transfer the whole thing? Very significant concerns have been raised by our trustees, our partners in the arts and culture sector, and the artists who gave us the art about having it go into private hands, which I understand. Because of that, what we are practically doing right now is what every museum in the world does: conducting a review along best practice lines and selling art that we are not using enough or that no longer aligns with the collection. We think that can generate £10 million or £15 million over the next few years, but that is a small amount, given what we need.

What I have proposed multiple times—Chair, it is exactly what you described—is an exchange of that art collection, which should go into Government hands, and then it would be in public ownership for the use of the UK public in whatever way we decided to use it. There are possibly some synergies in curation and storage with the Arts Council and the Government Art Collection. In return, the Government could remove the loan from us, which would address our financial problems, but ultimately the Government would be whole overall—they would own more art and not have a loan outstanding. I think that is a good solution for everyone, but we have not got traction on it.

Chair: Okay. Thank you very much. Alex, can you go back to your questions?

Q74 **Alex Ballinger:** Of course. Those are quite catastrophic figures that you are describing—35 office closures and 43% of staff cut. That is an enormous change to the British Council's footprint. Has there been any recognition by the FCDO of the situation that you are facing? At our last meeting, you talked about the material uncertainty around the British Council continuing. Is that still the case? What reassurance have you had from the FCDO, if at all, that we are not coming to a situation that completely collapses the Council?

Scott McDonald: Yes, I would say that we still are in real financial peril and, since I last saw you, things have only become clarified. At the end of our financial year last year in March, we had negative reserves of £114 million, and we have this loan of £197 million coming, due in September next year. Unless that loan is addressed in one way or another, we cannot repay it in September, so technically we are nearly insolvent. It means

that each year we have a huge battle getting our annual report and accounts published, because we have to prove that we are a going concern.

The issue is still very live and substantial. We have had ongoing discussions with the FCDO, but no resolution on any of these points. We do not have a resolution on the grant in aid, which would enable us to keep some of the network open and not make all of the country closures. We do not have a resolution, which is what will ensure our solvency and financial stability over time.

Alex Ballinger: I think Aphra had some questions on the loan.

Q75 Aphra Brandreth: You have said that you cannot repay the loan in September. Could you set out what the current expectation is with the FCDO in terms of when and what the repayments should be? If you were to begin making those loan repayments in September, what would be the impact for the British Council?

Scott McDonald: We spent the six months between January and August putting together a new restructuring plan, because there are tough things in the market and we need to address those on our own—we do not expect the Government to help us with everything. That has all the elements in it that I described earlier, which are around the people cuts and the country cuts. As part of that plan we have said, “If we have to start repaying the loan in a substantial part, or even in a minor part, those cuts will all have to be far worse.” That would be cuts beyond 43% of the people or beyond 40% of the network. We have made the case that that does not make sense for the UK, or else you have a complete withdrawal of your main soft power tool around the world. If you want us to withdraw from more than 40 countries, or you want us to get rid of more than nearly half our people, that is what the implication of repaying the loan would be.

We have pushed very hard and said that there are other solutions on the loan, and we have put forward three, ranging from severe to less severe. The loan could be written off with the right political will as an investment in UK soft power. The British Council has subsidised UK soft power through our external earnings for the last 20 years. Of the income we have, 83% comes from outside the Government—we raise that ourselves through teaching, exams, development contracts and philanthropy. We do not have shareholders or anything, so we use that solely for delivering on UK soft power.

Q76 Chair: I do not think you have put this argument before us, but let’s mention it for the sake of clarity. When you say they should write off the loan, you draw a parallel with covid-era Government loans that were written off for other cultural institutions—the culture recovery fund. Is that right?

Scott McDonald: The culture recovery fund gave about £1.5 billion in support, and over 80% of that was in grants versus loans. That was for public organisations plus for-profit organisations. At the time we were



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treated quite differently: we were given a loan on commercial terms. What we could do around the world with the £14 million a year that we pay in interest is phenomenal.

Let me come back and try to answer your question. You could write off the loan—I think that is possible, with the political will. You could swap the loan for the art collection, as the Chair raised earlier, which I also think is possible, with the right political will. If neither of those is possible, you could turn it into some type of contingent loan where there are structures. You could say, “You pay back the loan only if it’s affordable to you. If you’ve built up reserves to a certain level, or if you have profit at a certain level, you start paying back the loan.”

We have put forward all three of those ideas. I think there is some discussion going on about them in the FCDO and the Treasury, but I am not sighted on where they are right now.

Q77 Aphra Brandreth: When would you need to have an agreement on this by?

Scott McDonald: There are various deadlines. We are supposed to publish our accounts by the deadlines in December and January. If we do not have an agreement by then, we cannot publish accounts on a going concern basis, so we need some resolution. Certainly by September next year, when the loan comes due, we need an agreement on what will happen, but we cannot run it right up until then because we have partners around the world who rely on us being financially stable and we bid for contracts that rely on us being financially stable. Without being able to say to the world, “We’re actually a viable organisation,” it is very hard for us to operate.

Q78 Phil Brickell: Sticking on the topic of your finances, despite having a hedging strategy—you alluded to this earlier—on foreign exchange you had losses of £6.2 million in 2022-23. In ‘23-24, it was more than twice that—£13.3 million, as I understand it. Did I hear correctly that the foreign exchange loss for ‘24-25 was £25 million? If so, what lessons have you learned, given that that continues to be an upward trajectory, and what assurances can we have that this time next year it will not be significantly greater than that?

Scott McDonald: It is a good question. The FX impact on a large organisation like ours is multifaceted. There are things that hit the balance sheet and things that hit the profit and loss statement. I will not try to go through the whole complexity of that, but overall, the numbers you are talking about are roughly right, and they have grown significantly over time. There have been two main drivers of them.

First, this has been a period of extraordinary strength for the pound compared with the rest of the world. This is very hard to manage. The currencies we operate in, whether they are in Pakistan, Bangladesh, Nepal, Sri Lanka or so on, are almost unhedgeable, or the cost of them is impossible to hedge. It has just been a bad period for us, which I hope over time would not continue.



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The second thing, which is as significant, relates to many of the countries that we operate in on behalf of the UK. I will take the example of Pakistan. We do an enormous amount of UK school exams in Pakistan, whether that is for Cambridge, Oxford or others. That is a very large piece of what we do there, and we earn a profit from doing those exams. But Pakistan has currency controls because it has financial challenges, and you cannot get the money out, so we end up doing work there and the money gets locked in there, and then when those currencies devalue it hurts FX even more. That is one of the drivers of it. Unlike our colleagues in the embassies, we have to comply with all the local status tax currency laws. If you operate a diplomatic entity, you are outside all of that.

Q79 Phil Brickell: And for '24-25, was that a £25 million foreign exchange loss? You mentioned that figure earlier.

Scott McDonald: Yes. I think for both '23-24 and '24-25 the best estimate of the number you should look at is somewhere between £20 million and £25 million.

Q80 Sir John Whittingdale: You have announced that you are going to have to consider very significant further headcount reductions and the closure of offices. Can you say something about the criteria under which you determine where the British Council might withdraw from? How do you decide which offices?

Scott McDonald: The criterion that drives our geographic prioritisation is the same one that drives where we might withdraw from. It is essentially input from across the UK Government, primarily through the FCDO, but also from DCMS, DBT and MOD, in terms of where their foreign priorities are—where they are trying to grow trade the most, where they have the biggest security issues. A prioritisation comes from that.

There is also a prioritisation that comes from the sectors we serve—the arts, culture and education sectors. Where are the most important places for them? And there is a prioritisation that comes from the four nations across the UK. What is important to Scotland or to Wales, for instance? Then there is a judgment on our part on where we are being effective. Where have we actually engaged with Government and people, and where are we having impact on the ground?

We put that all together and come up with a list of places that are the least-worst places we can close. Every country we close is going to do damage to the UK, but we try to pick ones that will do the least damage.

Q81 Sir John Whittingdale: But there is a conflict. One of your priorities is to raise money to fund your activities through English language examinations and teaching but, equally, there is the agenda of the Foreign Office, which is about the projection of UK influence, particularly into areas where there is perhaps contest. To what extent is the Foreign Office saying to you, "This is an area where we think it's really important that Britain should be visible and projecting values," even though it may not be your highest-earning country?



Scott McDonald: You are absolutely right, and we need to prioritise both those things, but they are not in conflict, except in very special cases. The Foreign Office is basically telling us, “We want you to have the operations that you focus on around arts and culture exchange, education exchange, and other sorts of diplomatic work you do.” They can tell us where they want that or do not want that. Where we have things for English teaching or exams, or to raise money in other ways, is really our choice. We try to make those align, because there is enormous benefit: if we have both in a country, that gives us scale and brand. But sometimes we have a country that is just earning money for the British Council, and we have many countries around the world that do not earn any money for us; they are just delivering for—

Q82 **Sir John Whittingdale:** Can I ask you specifically about the Baltic nations, where there is an enormous effort taking place on the part of Russia, particularly in terms of propaganda? You have already chosen to say that you will close two of the three offices in Estonia and Lithuania. In Lithuania, for instance, 3% of the population are now Ukrainian refugees. That is an area where there is a very strong need for the projection of British values, because of the amount of Russian disinformation taking place. Has the Foreign Office agreed to that closure, or is that issue something you have taken into account?

Scott McDonald: It is a good question. Kate is a bit of an expert on our Baltic region. I will ask her to answer that in some detail.

Kate Ewart-Biggs: Yes, we are in discussions with the FCDO on the Baltic states. The work we have been doing across all the Baltic states, funded by the Foreign Office’s integrated security fund, has been addressing exactly the issues you raise. That contract is coming to an end in March ’26, and we would like to continue being able to do that work, using all the networks we have built right across Ministries, schools, young people and so on. We are in active discussion with the FCDO and we are asking for a £20 million uplift in the CSR which, as Scott says, is not yet settled, in order to be able to keep open the grant-funded work in countries that, as you suggest, are most important to the UK.

Q83 **Monica Harding:** Have the cuts to the ISF meant you have had to cut back on the work in the Baltic countries specifically?

Kate Ewart-Biggs: It is a combination of what Scott has described. At the moment, we cannot afford to be in the number of countries that we are in, with the current grant and without the resolution of the loan. In the Baltic states, the majority of the activity was funded by the ISF project, so when that comes to an end, staying open in those countries will be extremely difficult. We think there is a large demand for that kind of work, which is why we are putting in this request for an uplift in our grant in aid.

Q84 **Monica Harding:** How many countries will the British Council remain open in after the second restructuring? That is without the debt.

Scott McDonald: Approximately 65. We have 100 countries now—I think the actual number is 97—but we would be cutting 35, so we would be



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down to 65 countries. That relies on a solution to the debt. If the answer from the FCDO in the end is that we need to start paying back the debt in September, we will have to cut significantly more than that.

Q85 Monica Harding: How many countries were you open in before covid?

Scott McDonald: One hundred and 10. We cut 10 in the restructuring that we did immediately after covid.

Monica Harding: So it would almost halve your presence overseas.

Scott McDonald: Yes. It is over 40% down.

Q86 Monica Harding: In your conversations with the FCDO, you obviously have the mitigation of the loan and what to do with the loan. Why is there an obstacle to sorting that out? What is it that the Foreign Office is not getting about the work of the British Council?

Scott McDonald: I think the Foreign Office values the work of the British Council. They have their own financial issues to deal with, because of ODA going down so significantly. They have to work closely with the Treasury on what will happen with this loan, because the loan ultimately sits with the Treasury. What precisely is stopping us coming to a resolution? I don't know.

Q87 Uma Kumaran: To build on the questions from Monica, the loan terms may not be favourable to you, but surely the Government giving the payment holiday demonstrates their willingness and desire for the British Council to continue. Do you agree that giving you a five-year holiday shows the previous and current Governments' willingness to see the British Council succeed?

Scott McDonald: Giving us the loan in the first place is something we are very grateful for. We were in enormous trouble during covid and the loan helped us to survive. Not enforcing the immediate repayment of that—or, as you say, a holiday—we are also grateful for, and it shows support for the British Council.

But given the actual state of our finances and the challenges we have, that is not enough. For us to be sitting here with a commercial loan, using £14 million of our relatively limited funds to pay the loan interest instead of doing British Council stuff around the world, is not wise for the Government. For them to demand repayment in the short term is not wise, because we will have to close way more countries and lay off more people. There are many things they could do now to show more support and more understanding of the position we are in. But I agree with you, and we are appreciative of the support we have had so far.

Q88 Uma Kumaran: We have heard today about your extensive art collection, and you also own a number of buildings. There is money in the bank for you to be able to repay at least part of that loan and move on. I am surprised that, in the five years from the loan to this point, different payment options have not been considered.



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Scott McDonald: When the loan was first given to us it was £250 million. We sold perhaps the best business in our portfolio, which was our exams business in India—and which took us out of one of our core markets—to pay back the part of the loan that we have already repaid. We did repay £53 million.

As I said in my introduction, we are now selling everything the British Council has that we are able to sell. I talked about estates last time; we have 42 properties around the world and we are selling, or attempting to sell, every single one that is possible to sell. We are selling that bit of the art collection that we are able to sell under the terms of the museum code. We sold the school we had in Madrid. We do not have anything else.

We are going to need all that money to do the restructuring I described. To lay off 26% of your people and close 35 countries is enormously expensive for us, and we are getting no restructuring support from the FCDO to do that. Normally, a Whitehall Department that does restructuring is given enormous restructuring support. We are getting none and are having to fund that ourselves. What I have described is a more radical restructuring than any Whitehall Department, and it is getting no restructuring support at the current time from the Government.

What we are really looking for is acknowledgment of all that and a decision. Does the UK value the British Council and what we do? We have laid out all the cases around how we contribute to growth, how we contribute to security, how we contribute to the rebuilding with Europe, how we contribute to development—all of those things. If it is worth it, the UK needs to fund it. If it is not worth it, we can get to work shrinking further.

Q89 Uma Kumaran: We have seen some of your work up close. For the record, your headquarters are in my constituency, in Stratford. Some of the Committee have seen your work on our recent visit to Romania, and we have seen the work you do on gender-based violence, supporting Ukrainian refugees and so on. It is a shame that you are not making the case as powerfully as you could in Britain to explain not just to the FCDO but to politicians and the British public how much work you are doing globally. Perhaps that is something you could take away.

Your original remit, which was drafted in a different time, said that “in times of danger this friendly knowledge and understanding becomes vital to the successful prosecution of war”. Does that still apply, or has the British Council moved on?

Scott McDonald: It absolutely still applies. Our view is that, around conflict, we make contributions pre, during and post conflict. Let me use the Ukraine war as an example. We have been in Ukraine doing work for over 30 years, and it is an example of why pulling out would be so dangerous, because pre 2014 and the invasion of Crimea, no one would have thought Ukraine was an incredibly important country in the portfolio; it would have been one that you close because it is a peripheral thing. It has become incredibly important.



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We were able to take our historic operation there and push in way more resources to do things. When the full-scale invasion happened, the first thing we did was put together a UK-Ukraine celebration of culture that ran for a year, to give the Ukrainians something to hold on to and to build morale. We have done all sorts of incredibly practical things since then around teacher training, university best practice sharing and cultural heritage training. We have a massive role.

That brings me to another point, if you will indulge me for a minute. We have an enormous role in security in general that I think is underappreciated. In April this year, there was a letter to the Prime Minister from 37 former Ministers of Defence, Foreign Secretaries, generals, admirals, head of the intelligence service and head of special forces, which said: "As we compete for global influence, the need for the British Council's unique contribution to our security is greater than ever. We call upon you to invest in this great national asset and force-multiplier, before it is too late." I think the role is still there.

Q90 Phil Brickell: On the loan, you mentioned restructuring support. One of the questions I have asked previously, and I am still not entirely sure about, is: how does your engagement with the Foreign Office compare with your peers—for instance, the Institut Français or Goethe-Institut—and their conversations with their respective Ministries of Foreign Affairs about what extraordinary revenue support or loan arrangements were provided during the pandemic? It would be useful if you could enlighten us, to any extent you can, about how your treatment by and your relationship with the Foreign Office compares with those other countries' organisations.

Scott McDonald: The British Council is the world's pre-eminent soft power organisation. We pack more punch around the world for the UK than any of those organisations do, and we receive a fraction of the support that they do, because we manage to generate so much income outside of the core Government grant. We have roughly £1 billion in income, and roughly £840 million of that comes from things that we generate, whether that is through development contracts, teaching, exams, philanthropy or partnerships with corporates—all this money we bring in to support UK soft power. It makes us a very, very effective tool.

But if you get down to the actual support, we get £163 million from the Foreign Office. To put that in perspective, we got £190 million in 2006. If you took into account inflation over that period, that would be £330 million now, so we have actually gone down by more than half. If you compare that £163 million with what other countries invest in similar organisations, in France it is £600 million, in Germany it is £900 million, in Spain it is £900 million and in Portugal it is £250 million.

It has been a great partnership, because we raise all this money to do the things the British Council does, and we put it all together, and we have a £1 billion powerhouse that only costs the Government £163 million. One of the reasons we are so frustrated is that we have provided all this funding for 20 years, and now, when we run into some difficulty, there is a complete unwillingness on the Government's part to help us.



Q91 Chair: To take you back, we were thinking about the fact that there has been some discussion about using defence funding to assist the World Service, given that there has almost been a redefinition of how we defend ourselves. Particularly given your answer to Uma, has there been any thinking about replacing some of the ODA funding that you received in the past with defence funding? Have there been any discussions about that?

Scott McDonald: That is a really good question. That has been a constant, open question for us. One of our challenges is that the FCDO are our sponsoring Department, and they provide our entire grant. The governance is strange, because once the FCDO get their grant, whatever they give the British Council comes out of what they have. It is an odd arrangement. If you are running the FCDO, you are obviously trying to minimise what you give to the British Council. We provide significant work and services for DCMS, DBT and the MOD—we have all sorts of interactions. That is one of the structural problems we have never been able to solve. In the end, the FCDO make the decision, and they are conflicted when they do so.

Chair: That is very interesting. Thank you.

Q92 Monica Harding: On the back of that, I was taken by what you said about the work that you did with the integrated security fund, which has been cut and therefore you are not able to do your work. You talked about the structural problems of your financing. Is it the case that the British Council has almost been a victim of its own success, in that your commercial activities have been so strong over a decade that the grant in aid has been squeezed down further? You mentioned France, which is at £600 million a year; you are at £160 million, so the grant in aid is much smaller. Is it a historical structural problem, caused by FCDO predecessors, that has got you into this situation?

Scott McDonald: I think we have jointly created this problem, but for the benefit of the UK. We have all liked what has happened with the British Council. I am assuming—I think this is the case—that most people value highly what we do. That is certainly what we hear from the sectors we work for, and largely across the FCDO network, whether it is ambassadors or geographically. Everyone values what we do, and we have managed to do that at an incredibly low cost to the taxpayer, because we have made all this other money from other places and put it all into a pot. That has not been forced on us by the Government; we have helped to do that and raise it. We have been happy about that. We like the idea that you minimise the taxpayer's input and maximise the output for the UK.

But we have reached a point now at which it is 83%, so wobbles on the income side put us into financial difficulty and make it hard to deliver what we have delivered. This is when we are trying to go back and say, "We have had a really good deal in the UK—for a long time, the British Council has provided all this funding—but now we need some help and support."

Q93 Abtisam Mohamed: I want to take you back to the answer you gave about soft power. Other European countries are funded a lot more than

the UK. How do you see soft power being impacted, given the downward trajectory of the funding? Is it likely to impact us further?

Scott McDonald: I often talk about the British Council being a main soft power delivery mechanism for the UK. We are not the only one—there are many parts of soft power, whether they come from the legal profession, the regulatory profession, sports or other areas—but we are the organisation on the ground everywhere, so we are probably the frontline of soft power. To the extent that our funding is cut or we pull out of countries, we are not able to engage with the people in those countries. We are not able to do all the things we do and support our other colleagues across the soft power spectrum, so it has an enormous impact.

This is at a time when the world is more contested than it has been in a very long time. Other people continue to invest in soft power, and enormously so. In order to maintain UK presence, UK influence and our ability to make an impact and win hearts and minds around the world, we need to be there. It is a relatively cheap investment. I often say that the entire cost of the British Council covers only a handful of missiles. We need both, but ours is a great hedge.

Q94 **Abtisam Mohamed:** One of the indices shows that, for the first time, the UK has fallen from second to third, overtaken by China. How impactful is that? Are there any means for us to climb back up the ladder?

Scott McDonald: The reason it has fallen is that China invests enormously in soft power. They have a similar institution to the British Council, and they invest more in it than we do. No one knows exactly what China invests, but it is probably one hundred times what the UK does. That is having an enormous impact in regions like Africa and Latin America, and many other spots around the world. We need to compete and show what is great about the UK. How can we impact the world positively? What do we have to add? How can we maintain relationships and share our values across those places? But that does not come for free. I do not think it is that expensive in the scheme of things, but we need to invest in it.

Q95 **Abtisam Mohamed:** If we are showing a decline and, as you say, there are potentially 35 further countries in which we will no longer have an office, is the realistic trajectory that we might go down in those indices?

Scott McDonald: Absolutely. There are 35 country closures in our restructuring plan because we have had no support. Personally, I think that is a disaster for the UK. Pulling out of those 35 countries will have an enormous impact on our profile and the view of the UK in those countries and will certainly impact those indices.

Q96 **Fleur Anderson:** You have talked a lot about areas in which you have had to make cuts. In your 2024 strategy, you set out targets for growth—for example, the number of English tests, opening coding hubs, and partnering with civil society groups, which I saw for myself in the west bank, where I saw some work being done with Palestinian groups on culture and homes. You have also talked about investment in online



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services. Where are your areas for growth? Were you able to deliver on them despite all the changes you have had to make in the restructuring in the last year?

Scott McDonald: Let me group them into two buckets. We have made tons of progress in impact areas for growth around the work we do in arts and culture exchange and educational exchange. We are reaching more people out there in the world with good messages and doing more work. I will give a few examples in education. One of the big shifts in higher education is in student mobility, with a shift from students coming to UK universities from the rest of the world to doing partnerships around the world to set up local campuses, or similar models. That is a real shift. That is an area where we introduce hundreds of UK universities to hundreds of universities around the world to do deals. Those are economically good for our universities, and they are good for the world for a multitude of reasons. We have managed to grow all those areas.

In teaching and exams, where we generate a lot of income, we are growing all our online and digital businesses, albeit in the context of the brutally competitive market that I described before. The sum of that is that we have shrunk in the last year, but I think we will continue to pick up speed over the next few years and we will be successful there.

Q97 **Fleur Anderson:** Do you partner with the Open University? I did my Open University exams in the British Council buildings in Nairobi, so I know that there is some commercial office space. You said that you were going to grow online, and we have the Open University, which is excellent at providing those services. Do you have those kinds of partnerships and are they an area for growth?

Scott McDonald: There are many partnerships like that. I do not know the answer to the question about the Open University specifically, but we have lots of partnerships like that and they are an area of growth. Almost everything is growing at the British Council in terms of demand and opportunities for us to partner. Where we have been able to partner without additional financial investment, we have been successful. Kate, do you know the answer about the Open University?

Kate Ewart-Biggs: I do not, but we have lots of partnerships all over the world.

Q98 **Chair:** Earlier, when you talked about restructuring, you began to talk about the work you needed to do online and the use of AI. I cut you short and it is probably important, for the record, for you to have an opportunity to explain that, when you talk about restructuring, you will be doing more online. Is there anything further you want to say on that?

Scott McDonald: When I talked about the restructuring plan, I said there were £420 million of surplus improvements—profit improvements—in there. Of that, £260 million comes from cost-cutting, efficiency and rationalisation, but £160 million comes from investment in new products. Those are, essentially, online teaching products, online exam products and AI-enabled products. We have done an enormous amount of investment in

all those areas, and I am confident that we will manage to grow there. In the English language we have a phenomenal brand around the world, so we need to put phenomenal products behind that to make people want to use them. That is what we are doing.

Q99 Richard Foord: Mr McDonald, you mentioned earlier that the British Council is present in Ukraine. On 27 August this year, Russia launched 629 missiles at Kyiv, one of which caused severe damage to the British Council offices there. How has your work in Ukraine been affected by that?

Scott McDonald: I said we have been in Ukraine about 30 years. We now have about 55 people in Ukraine and our office took two hits. I do not think either was direct, but they were enough to totally destroy it. I went the week after to see the office. Like many things in Ukraine, this is an amazing story of resilience. I arrived to see my 55 staff who had just been blown out of their office and had nowhere to work, and they said to me, "We don't want this to stop us at all, so we're going to continue doing our programmes. We're going to figure out where we do our teaching. We're going to continue our education work, our teaching in times of trauma work, our teacher training work, and our work with universities." All those programmes continued. It is quite heroic because they do not have photocopiers or anything to work with. We are desperately trying to get them into other spaces and keep them going. We will continue to work there; we are very dedicated. It is an example of how well we work with the Government overall, because we work very closely with the FCDO there, and very closely with all the other Departments. What the British Council does to support Ukraine fits in with all of them.

With the Prime Minister, we recently launched a schools twinning programme. There are now 50 UK schools—I think that is the number, but it is going up to 100—paired with Ukrainian schools, so the kids will have a chance to talk to each other, share stories, get to know each other for a time and build bonds.

Q100 Richard Foord: To stay with the attack itself, in the wake of the attack the Russian ambassador was summoned here in London and met with FCDO officials. From the perspective of the British Council, was that the correct response, and a sufficient response, from the UK?

Scott McDonald: In situations like that—unlike with the financial stuff I talked about previously—we have enormous support from the FCDO; on the ground support, and diplomatic pressure and support, are very good. I do not know precisely what was said in those meetings, but I understand that the messages given in them were very tough.

Q101 Richard Foord: Given that Russia's aggression is partly about extinguishing Ukrainian culture and seeking to prevent Ukraine from assimilating western culture, do your people on the ground in Ukraine feel that they were targeted deliberately by Russia?

Scott McDonald: Technically, we do not know and I am sure there is a variety of views across the group. Practically, they did bomb our building. It could have killed people, although in the end it did not. It injured one



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person who was there overnight because the bombs came in at 5 am or so. They are thankful, and they are angry; they have been angry for a long time.

What we try to do—this is one of the things Kate is responsible for—is make sure we are focused on the safety of all these people. We have incredible protocols around how we manage crises like this and ensure the safety of the people. I think they are comfortable with that, and they just want to get on with doing the things they can to protect the country.

Kate Ewart-Biggs: I think it has given them further commitment to doing the work on behalf of Ukraine's culture and education system, so actually what we find is a group of even more motivated people. Obviously, it is very important that we think about their safety and security alongside that as we go forward.

Chair: I am quite sure that I speak on behalf of the whole Committee in wishing them all the best and expressing our great admiration for their bravery and commitment.

Q102 **Sir John Whittingdale:** On that, you were quite recently labelled as essentially an arm of British intelligence services by Russia. I know you do not operate in Russia now, but have you detected any further pressure on British Council offices in areas where Russia is quite strong?

Scott McDonald: There is a long-running claim by our Russian counterparts that we have some link with the intelligence services. I have been at the British Council for four years and seen zero evidence of that. I have been all around the world and seen what we do. I do not believe it at all.

Your question is a good one, though: are there Russian-influenced countries around the world raising concerns about the British Council? We do not see evidence of that yet. We are very alert to it and very sensitive to it, to watch out for things and try to make sure we are making the case in these countries. I think it is better for the British Council to be operating in countries than just to withdraw. We have withdrawn from very, very few countries in our history—Iran and Russia being the most recent ones, for these types of reasons. We would like to stay in places and keep lines of communication open. We do work in places like Myanmar, Venezuela, Cuba and other countries around the world that are very contested. It is a really important role, because the UK Government struggles to operate in these places, but we are there, keeping lines of communication open.

Kate Ewart-Biggs: Which is why we would like to continue doing more of the work in the Russian neighbourhood on disinformation, hence the request to the Foreign Office to support that work going forward.

Q103 **Dan Carden:** We have the UK Soft Power Council now, which you sit on, Mr McDonald. Could you give us an update on its work and what it has been achieving in recent months?



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Scott McDonald: The UK Soft Power Council was the brainchild of the former Foreign Secretary. We were delighted when he came into his role by how excited he was about soft power and its importance. He formed this council, consisting of roughly 25 people from across all areas that might influence soft power. It includes the British Council, as well as the BBC, sports people, culture people, people from the legal profession, people focused on democracy—all these areas.

We think it is a really interesting idea, because you mobilise the UK across all these areas to work together to try to amplify the work each of us does and do things at the same time, rather than set apart. It is still pretty young—we have only met four times—but there is a plan for future events and activities. We will first of all have to see whether the new Foreign Secretary has the same desire to keep the Soft Power Council going—we will know that soon enough—and then we will have to start measuring the impact of what it does over time. It is too early to say whether it has worked or not.

Q104 **Dan Carden:** Kate, I think you said it needed more funding back in January. Has it received that funding?

Kate Ewart-Biggs: The Soft Power Council, I think, is making a bid in the spending review. We have not been aware of the outcome, but at the moment it has a soft power hub team that runs it. It will need investment, in the same way as the British Council and the BBC World Service do. I am not aware of where those discussions have got to.

Q105 **Dan Carden:** Is there much activity between meetings?

Scott McDonald: Yes, a lot, with all sorts of subgroups working away. The British Council is involved in most of that. These are people from all across the soft power spectrum. The British Council, I think, is still the main delivery tool, so we are involved in most of those discussions, and we have people in the secretariat of the council as well.

Q106 **Monica Harding:** You said that a funding uplift would allow you to reverse closures in Europe and the USA, and expand into Francophone and Lusophone Africa. Why those places specifically?

Scott McDonald: We have moved on a little bit from that. Now that we have so many closures—there are 35 potential closures in our restructuring plan—we have said, “We recognise how much pressure the FCDO is under in the spending review, but for £20 million, we could keep open 20 of the 35.” We need to work with them on the prioritisation of exactly which 20 and why. We have our view, and we need to work through it, line by line, with the FCDO, but we are certain that most of those countries need to be kept open for UK interest.

Q107 **Monica Harding:** So instead of expansion, you are looking at keeping the offices you have. Is there no room for expansion under current budgets?

Scott McDonald: Any ideas that we have had for expansion are on the shelf for the moment. We are just trying to maintain as much of the current network as we can. One of the things about the British Council is



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that, over time, it should constantly evolve as the world evolves. Some places become less or more important, so even in places that do not feel important at the moment, we try to keep a minor presence there. It is really expensive to come out and then try to go back in. You can keep one or two people there doing really interesting and valuable things, albeit with limited resource. If that country then becomes incredibly important over time, like my Ukraine example, you can suddenly flood it with resources.

Q108 Monica Harding: So presumably, looking for the next opportunity for British soft power, for example, is on hold.

Scott McDonald: I think our network now encompasses most of the places where we want to be. It is a question of resource. Maybe I will just use a couple of examples, and Kate might have some more. In north Africa, where there might be a real shift from French to English, we could play a huge role in helping countries with that, if we had more resource. There are examples all around the world of things like that, where we could turn the dial up to help with trade, security or some of the other priorities of the Government.

Q109 Monica Harding: To return to the Soft Power Council question, this has been set up at a time when the British Council is losing funding. That seems contradictory to me. What is your take on that?

Scott McDonald: If we run them well, they can be complementary. The Soft Power Council pulls in all these other places. If the British Council still has a big role in basically delivering all that and helping to shape it, I think it is great to pull in all those other views and capabilities from across the UK. There probably is a bit of a conflict in funding in this environment, and they need to resolve that.

Q110 Sir John Whittingdale: Can I ask you a little more about the restructuring plan? You suggested that, unless the Foreign Office provides extra resources, 35 offices may have to close. As far as I am aware, you have identified only five potential closures: Croatia, Slovenia, Austria, Estonia and Lithuania. Has there been any communication to the offices you have identified as possibly being up for closure? What impact is it having on your operation, if this is hanging over the organisation and you are not able to provide any details?

Scott McDonald: I will talk about morale first and then the country list itself. At the moment, morale at the British Council is mixed at best. The good side of it is that we continue to do great work around the world and have enormous impact. That is why our people are here; they are inspired by that and most of them love the British Council, which keeps them going. At the same time, they are experiencing incredible uncertainty. They do not know which countries will be in or not in. They do not know the size of our grant. They do not know what we will be able to do, so it is very hard for them to plan. The place is very fractious at the moment, and we have a lot of incredibly unhappy and stressed people.



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Part of that comes from the issue of countries affected, and I would be happy to share the list of countries that we are looking at with the Committee privately, but I do not want to get into the names today because we have not shared all those names with our people and partners around the world and the Governments we work with. It is a list in negotiation, and we are constantly working on it. We are working on it with the FCDO, so it will evolve.

The specific answer to your question is that in some ways this has been unproductive, but we have tried to give our people a heads-up to the extent we can, saying, "Your country is at risk. We don't have an answer yet, because we don't know the grant funding and exactly where we will end up, but we don't want you caught completely by surprise." It is incredibly unsatisfactory, because as you can imagine, they are saying to us, "I just need to know. Is the country going to be open or not? Do I have a job or not?"

Q111 Sir John Whittingdale: When do you expect to be in a position to tell them?

Scott McDonald: I would like it to be as soon as possible. The FCDO have their grant settlement. They have had a really tough job to do because of the significant ODA cuts and having to work through the intra-FCDO settlement. That should come any time between now and Christmas, I would hope.

Q112 Chair: It is only fair to say that you said the same thing to us in, I think, January. You said that there would be these office closures and that you would share them with us privately, but we have not heard anything more.

Scott McDonald: I can rectify that.

Chair: It's all right; it's just for the sake of the record.

Q113 Dan Carden: I know you work very closely with our diplomats and embassies. In the light of the cuts to ODA, the job losses that we will see in the Foreign Office itself and the pressures that you are under, could you paint a broader picture of the UK presence in many emerging economies and important countries in the years ahead?

Scott McDonald: We worked a lot with the previous Foreign Secretary, and I think we were very close to coming up with a solution on the loan and on the grant. There was real political will to get to something, because the view at the time was, "This is not the time for the UK to withdraw from the world. There is enormous competition and there are enormous challenges and all sorts of terrible behaviour around the world. Now is the time for the UK to step in, with all the great skills and best practices we have, and have influence on the world." That view is of course shared by all my colleagues and all my diplomatic colleagues, so our closure of anything out there is enormously resisted by the diplomats on the ground, and I think it will be damaging.

Chair: We have only a few minutes left. Does anyone have any other pressing questions? Monica, you have one.

Q114 Monica Harding: I have one on the back of Dan's question. Following on from what you said, Scott, has there been a loss of influence or reputation for the UK as a result of British Council closures so far, or would there be were there more?

Scott McDonald: I mentioned that we had closed in 10 countries in our first restructuring after covid. Obviously there will be a loss of influence in those 10 countries, but we tried to minimise that through the period. I think the bigger loss in influence is coming just from how stretched we are everywhere. Of all the things we get asked to do across the UK Government or even by the FCDO, we can do only a limited portion. I think if we close in another 35 countries, there will be enormous loss of influence for us. In the scheme of the foreign policy perspective of the UK, it is not a sensible decision not to spend that £20 million and keep a number of those offices open, especially given the trajectory of our grant over time. That grant has gone down because we have been so successful at raising other income. It has not meant that soft power or the British Council is any less important. We were just able to fund it in a different way.

Q115 Chair: Is there anything that we have not asked you that you would have wanted to put in evidence in front of us? We have a couple of minutes if there is anything further you want to say.

Scott McDonald: Maybe just one or two points. When it comes to looking at us, I think some of this is a hard-nosed decision for the UK: is the British Council of value compared with other things that we could spend money on? We have constantly tried to emphasise our value to the two big priorities of the day, which are growth and security. On the growth side, we discussed this at length when I was here in January, but since then we have hired an external consultant to look at the British Council with a really hard-nosed view. We said, "Give us the most pessimistic view of the annual value we create through the British Council." They came up with the number £1.1 billion, which we contribute every year through the work we do assessing English, promoting the UK as a study destination, training thousands of agents and counsellors in English, linking up cultural institutions here with partners around the world and linking up education institutions with partners around the world. So we are already paying for ourselves six times over. I think it is a substantial underestimation, but I just wanted to make the value point.

On the security point, we have talked about the work we are doing in Ukraine. Kate touched on the work we do on disinformation in the Baltics and the Balkans. This stuff is incredibly important and valued. There is the work we do in the Middle East, across the Levant, in Yemen and North Africa, and I mentioned some of the hard-to-touch countries before. So I think there is a really strong case. I am not expecting people to put their hand on their heart and say, "We love the historical British Council." It is what we are actually doing and delivering that I think is important and needs to be reflected in the financial settlement.

Chair: Thank you, and thank you very much for coming in. I am sure that



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we will see you again in a few months, and hopefully things will be easier for you by that stage. Let's cross our fingers. Thank you all very much.